

CITY OF LOS ANGELES, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2014



Certified Public Accountants.

CITY OF LOS ANGELES, CALIFORNIA
Single Audit Reports
For the Fiscal Year Ended June 30, 2014

Table of Contents

	<i>Pages</i>
Introduction to the Organization of the City of Los Angeles	1
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	7
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Federal Awards Required by OMB Circular A-133	9
Schedule of Expenditures of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	33
Schedule of Prior Year’s Findings	57



RON GALPERIN
CONTROLLER

March 31, 2015

INTRODUCTION TO THE ORGANIZATION OF THE CITY OF LOS ANGELES

The City of Los Angeles (City) was incorporated in 1850 under the provisions of a City Charter. The current Charter was approved by the electorate on June 8, 1999 and became effective on July 1, 2000. The City's organizational structure provides for a decentralized operation. For single audit purposes in accordance with the amended Single Audit Act, the City reports as five separate entities to reflect this structure. These entities include: (1) General Government; (2) Department of Airports; (3) Harbor Department; (4) Department of Water and Power; and (5) Housing Authority of the City of Los Angeles. All five entities are responsible for arranging an annual financial audit. If they receive Federal assistance, they also arrange for single audits and submit the resulting reports to the U.S. Bureau of the Census.

The General Government entity is under the control and management of the Mayor and City Council. Services provided by this entity are delineated in the City Charter and Administrative Code. The remaining four entities are independent of direct Mayor and City Council control and management.

The Department of Airports, Harbor Department, and Department of Water and Power are independent Charter departments headed by citizen commissions appointed by the Mayor and confirmed by the City Council. These departments have control of their own funds and revenue. They establish their own budgets, set their rates subject to City Council review and approval, sell revenue bonds, and have required audits performed.

The Housing Authority of the City of Los Angeles is an entity established as a result of Federal/State law provisions and is headed by a respective City commission.

**INTRODUCTION TO THE ORGANIZATION OF THE
CITY OF LOS ANGELES**

March 31, 2015

Page 2

The City prepares and issues a Comprehensive Annual Financial Report (CAFR) that contains the Basic Financial Statements. The CAFR is prepared in conformity with generally accepted accounting principles (GAAP) for State and local governments. For GAAP reporting purposes, the City's reporting entity includes three of the four independent entities. The Housing Authority is fiscally independent of the City and therefore excluded from the City's reporting entity.

The General Government's auditor performs financial and single audits of the General Government, while the financial and any required single audits of the other entities are performed by their respective auditors.

The City's CAFR (which includes the basic financial statements) and the Schedule of Expenditures of Federal Awards (SEFA) with required single audit reports for the fiscal year ended June 30, 2014 are issued as separate documents. Copies of both the CAFR and the SEFA, with the required single audit reports, are submitted to the Federal Audit Clearinghouse, U.S. Bureau of the Census, and the State Controller.

The attachment provides summary information on each of the five Single Audit reporting entities of the City. A brief description of the functions of each of these entities is included.

Sincerely,



RON GALPERIN
City Controller

Attachment

STATUS OF THE FISCAL YEAR 2013-2014 SINGLE AUDIT**1. GENERAL GOVERNMENT**

- Responsible for providing for the health, welfare and public safety of the City including police, fire, public works, building inspections and issuance of permits, City planning, libraries and recreation and parks under the authority of the City Charter.
- Fiscal Year: July 1 to June 30
- Fiscal Year 2013-2014 Budget: \$7,685,509,000
- Fiscal Year 2013-2014 Federal Award Expenditures: \$449,655,000
- Fiscal Year 2013-2014 Financial Audit: Completed
- Fiscal Year 2013-2014 Single Audit: Completed
- Federal Cognizant Agency for Audit: Department of Housing and Urban Development
- Auditor: Macias Gini & O'Connell LLP

2. DEPARTMENT OF AIRPORTS

- Responsible for the management, supervision and control of the City's airports and airport facilities. Controls its own funds, establishes its own budget and sets rates subject to City Council review. Governed by a Board of Commissioners appointed by the Mayor and confirmed by the City Council.
- Fiscal Year: July 1 to June 30
- Fiscal Year 2013-2014 Budget: \$4,362,755,000
- Fiscal Year 2013-2014 Federal Award Expenditures: \$31,277,000
- Fiscal Year 2013-2014 Financial Audit: Completed
- Fiscal Year 2013-2014 Single Audit: Completed
- Federal Cognizant Agency for Audit: Department of Homeland Security
- Auditor: Macias Gini & O'Connell LLP

**STATUS OF THE FISCAL YEAR 2013-2014 SINGLE AUDIT
(Continued)**

3. HARBOR DEPARTMENT

- Responsible for the management, supervision, and control of the Port of Los Angeles. Provides for the needs of maritime commerce, navigation, and marine recreations for the citizens of California. Constructs and maintains its own facilities and controls its own funds in accordance with the Charter and State of California Tidelands Trust. Governed by a Board of Commissioners appointed by the Mayor and confirmed by the City Council.
- Fiscal Year: July 1 to June 30
- Fiscal Year 2013-2014 Budget: \$1,071,114,000
- Fiscal Year 2013-2014 Federal Award Expenditures: \$34,453,000
- Fiscal Year 2013-2014 Financial Audit: Completed
- Fiscal Year 2013-2014 Single Audit: Completed
- Federal Oversight Agency for Audit: Department of Homeland Security
- Auditor: Simpson & Simpson, CPAs

**STATUS OF THE FISCAL YEAR 2013-2014 SINGLE AUDIT
(Continued)**

4. HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

- Responsible for the elimination of unsafe and unsanitary dwelling units in the City to protect the health and safety of the inhabitants and to develop and administer low-rent housing projects within the City limits. Established by the City Council in accordance with the California Health and Safety Code (Section 34200 et seq.) and Section 8 of the Federal Housing Act of 1937. Prepares its own budget for the approval by the Board of Housing Authority Commissioners and forwards it to the U.S. Department of Housing and Urban Development for approval in accordance with Federal guidelines. Employs personnel not included in the classified Civil Service established by the Charter and participates in the State Public Employees Retirement System.

- Fiscal Year: January 1 to December 31

- Fiscal Year 2013 Budget: \$1,089,562,000

- Fiscal Year 2014 Budget: \$1,008,314,000

- Fiscal Year 2013 Federal Award Expenditures: \$1,005,813,000

- Fiscal Year 2014 Federal Award Expenditures: \$1,077,500,000 (Unaudited)

- Fiscal Year 2013 Financial and Single Audits: Completed

- Fiscal Year 2014 Financial and Single Audits: In Process

- Federal Cognizant Agency for Audit: Department of Housing and Urban Development

- Auditor: Macias Gini & O'Connell LLP

**STATUS OF THE FISCAL YEAR 2013-2014 SINGLE AUDIT
(Continued)**

5. DEPARTMENT OF WATER AND POWER

- Responsible for supplying the City and its inhabitants with water and electric energy by constructing, operating, and maintaining facilities located throughout the City and Inyo and Mono counties. Governed by a Board of Commissioners appointed by the Mayor and confirmed by the City Council. Controls its own funds, establishes its own budget and sets rates, subject to Council approval.
- Fiscal Year: July 1 to June 30
- Fiscal Year 2013-2014 Budget:
 - \$2,238,455,000 (Water System)
 - \$4,961,511,000 (Power System)
- Fiscal Year 2013-2014 Federal Award Expenditures:
 - \$217,392,000 (Water System)
 - \$27,656,000 (Power System)
- Fiscal Year 2013-2014 Financial Audit: Completed
- Fiscal Year 2013-2014 Single Audit: Completed
- Federal Oversight Agencies for Audit:
 - Environmental Protection Agency (Water System)
- Auditor: KPMG LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Members of the City Council
City of Los Angeles, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Angeles, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2015. As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our report includes a reference to other auditors who audited the financial statements of the following City departments/funds, which are reported as enterprise and pension and other postemployments benefits trust funds: Department of Harbor, Department of Water and Power, Los Angeles Fire and Police Pension System, Los Angeles City Employees' Retirement System, and Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plans. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Los Angeles City Employees' Retirement System, and Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
March 31, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Honorable Members of the City Council
City of Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the City of Los Angeles, California's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2014. 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.

The City's basic financial statements include the operations of the Department of Airports, Harbor Department, and Department of Water and Power, which expended \$31,277,000, \$34,453,000, and \$245,048,000, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the fiscal year ended June 30, 2014. Our audit, described below, did not include the operations of these departments. We were engaged to perform an audit in accordance with OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133), and report on the results separately to the Department of Airports. The Harbor Department and the Department of Water and Power engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008 and 2014-009. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

the accompanying schedule of findings and questioned costs as items 2014-004, 2014-005, 2014-006, 2014-007 and 2014-009 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-008 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Los Angeles, California
March 31, 2015

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
<u>DEPARTMENT OF AGRICULTURE</u>						
Recreation and Parks	State of California - Department of Education	Summer Food Service Program for Children	10.559	19-81909V	\$ 684,000	\$ --
Aging	California Department of Food and Agriculture	Senior Farmers Market Nutrition Program	10.576	7CA810CA4	120,000	120,000
TOTAL FOR DEPARTMENT OF AGRICULTURE					804,000	120,000
<u>DEPARTMENT OF COMMERCE</u>						
Recreation and Parks	National Fish and Wildlife Foundation	Habitat Conservation	11.463	2008-0073-054	10,000	--
Mayor	University of Southern California	MBDA Business Center	11.805	MB11SFR8050004	100,000	--
TOTAL FOR DEPARTMENT OF COMMERCE					110,000	--
<u>DEPARTMENT OF DEFENSE</u>						
Police	Direct	Donations/Loans of Obsolete DOD Property	12.700	Unknown	358,000	--
TOTAL FOR DEPARTMENT OF DEFENSE					358,000	--
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Housing and Community Investment	Direct	Community Development Block Grants/Entitlement Grants (Notes 6 and 7)	14.218	B-14-MC-06-0523 and Prior Awards B-08-MN-06-0512 B-11-MN-06-0512	69,648,000 1,922,000 3,084,000	36,976,000 1,298,000 302,000
<i>Subtotal 14.218</i>					74,654,000	38,576,000
Housing and Community Investment	State of California - Department of Housing and Community Development	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii (Note 6)	14.228	10-DRI-6783	12,000	--
Housing and Community Investment	Direct	Emergency Solutions Grant Program	14.231	E-14-MC-06-0523 and Prior Awards	5,319,000	5,189,000
Housing and Community Investment	Direct	HOME Investment Partnerships Program (Notes 6)	14.239	M-14-MC-06-0519 and Prior Awards	32,265,000	--

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Housing and Community Investment	Direct	Housing Opportunities for Persons with AIDS (Note 6)	14.241	CA-H12-0002 CA-H14-F005 and Prior Awards	\$ 389,000 <u>12,459,000</u>	\$ 369,000 <u>12,136,000</u>
		<i>Subtotal 14.241</i>			<u>12,848,000</u>	<u>12,505,000</u>
Economic Workforce Development	Direct	Community Development Block Grants - Section 108 Loan Guarantees (Note 6)	14.248	B-11-MC-06-0523-B and Prior Awards	<u>27,237,000</u>	<u>6,333,000</u>
Housing and Community Investment	Direct	ARRA - Neighborhood Stabilization Program (Note 6)	14.256	B-09-LN-CA-0046	<u>5,815,000</u>	<u>3,637,000</u>
Housing and Community Investment	Direct	McKinney Act Savings (Note 6)	14.Unknown	Unknown	<u>73,000</u>	<u>--</u>
Economic Workforce Development	Direct	Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704	CCPCA0001-10	<u>1,335,000</u>	<u>1,042,000</u>
Housing and Community Investment	Direct	Lead Hazard Reduction Demonstration Grant Program	14.905	CALHD0209-10 CALHD0242-12	1,113,000 <u>1,083,000</u>	-- <u>--</u>
		<i>Subtotal 14.905</i>			<u>2,196,000</u>	<u>--</u>
Housing and Community Investment	Direct	Healthy Homes Production Program	14.913	CAHHP0003-11	<u>620,000</u>	<u>--</u>
TOTAL FOR DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>162,374,000</u>	<u>67,282,000</u>
<u>DEPARTMENT OF THE INTERIOR</u>						
City Planning	State Department of Parks & Recreation	Historic Preservation Fund Grants-In-Aid	15.904	06-12-41911 06-13-51911	10,000 <u>20,000</u>	-- <u>--</u>
		<i>Subtotal 15.904</i>			<u>30,000</u>	<u>--</u>
TOTAL FOR DEPARTMENT OF THE INTERIOR					<u>30,000</u>	<u>--</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
<u>DEPARTMENT OF JUSTICE</u>						
Police	Direct	Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	SW-CAC-1044 SW-CAC-1074 SW-CAC-1148 SW-CAC-1170 SW-CAC-1182 SW-CAC-1198 SW-CAC-1204 SW-CAC-1211 SW-CAC-1213 SW-CAC-1233 SW-CAC-1235 SW-CAC-1239 SW-CAC-1249 SW-CAC-1267 11-0149 92R31600	\$ 9,000 1,000 14,000 2,000 15,000 8,000 21,000 26,000 5,000 33,000 10,000 2,000 3,000 5,000 21,000 417,000	\$ -- -- -- -- -- -- -- -- -- -- -- -- -- -- -- -- --
		<i>Subtotal 16.004</i>			<u>592,000</u>	<u>--</u>
Police	Direct	Alcohol, Tobacco, and Firearms- Training Assistance	16.012	08-LOS-214-AFF SW-CAC-1104 SW-CAC-1183	185,000 24,000 12,000	-- -- --
		<i>Subtotal 16.012</i>			<u>221,000</u>	<u>--</u>
Police	Direct	Law Enforcement Assistance - FBI Advanced Police Training	16.300	415-LA-A1509676-R 28IN-LA-229465 305A-LA-C247329-CE-1 SW-CAC-1121 SW-CAC-1207 SW-CAC-1261 PL#103-121/HR2519043 334D-LA-259761 Unknown Unknown	75,000 21,000 15,000 24,000 13,000 1,000 554,000 64,000 188,000 80,000	-- -- -- -- -- -- -- -- -- --
		<i>Subtotal 16.300</i>			<u>1,035,000</u>	<u>--</u>
Mayor	State of California - Department of Corrections and Rehabilitation	Juvenile Accountability Block Grants	16.523	BSCC 167-13	<u>135,000</u>	<u>--</u>
Mayor	Direct	OVW Technical Assistance Initiative	16.526	2013-EW-AX-K005	<u>14,000</u>	<u>--</u>
Police	Direct	Missing Children's Assistance	16.543	2012-MC-FX-K002	<u>602,000</u>	<u>--</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Police	State of California - Office of Emergency Services	Missing Children's Assistance	16.543	IC13057250	\$ 99,000	\$ --
		<i>Subtotal 16.543</i>			<u>701,000</u>	<u>--</u>
Police	Direct	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2010-DN-BX-K013 2012-DN-BX-K010	43,000 <u>189,000</u>	20,000 <u>62,000</u>
		<i>Subtotal 16.560</i>			<u>232,000</u>	<u>82,000</u>
City Attorney	County of Los Angeles	Crime Victim Assistance	16.575	VW13320190	713,000	--
City Attorney	State of California - Office of Emergency Services	Crime Victim Assistance	16.575	UV12037250 UV13047250	47,000 <u>80,000</u>	-- <u>--</u>
		<i>Subtotal 16.575</i>			<u>840,000</u>	<u>--</u>
Mayor	Direct	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX-0038	<u>522,000</u>	<u>478,000</u>
Police	Direct	Corrections -Technical Assistance/ Clearinghouse	16.603	JLEO-13-0045 JLEO-14-0045	27,000 <u>99,000</u>	-- <u>--</u>
		<i>Subtotal 16.603</i>			<u>126,000</u>	<u>--</u>
Police	Direct	Bulletproof Vest Partnership Program	16.607	Unknown	<u>66,000</u>	<u>--</u>
Police	Direct	Public Safety Partnership and Community Policing Grants	16.710	2009CKWX0532 2011CSWX0005 2012ULWX0004	10,000 266,000 <u>2,007,000</u>	-- -- <u>--</u>
		<i>Subtotal 16.710</i>			<u>2,283,000</u>	<u>--</u>
Police	State of California - Office of Emergency Services	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735	PD12017250	<u>95,000</u>	<u>95,000</u>
Mayor	Direct	Gang Resistance Education and Training	16.737	2012-PB-FX-K0003	<u>250,000</u>	<u>169,000</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Police	State of California - Office of Emergency Services	Edward Byrne Memorial Justice Assistance Grant Program Cluster with CFDA No. 16.804	16.738	HF12017250	\$ 164,000	\$ 37,000
City Attorney	County of Los Angeles	Edward Byrne Memorial Justice Assistance Grant Program Cluster with CFDA No. 16.804	16.738	Unknown	48,000	--
Mayor	Direct	Edward Byrne Memorial Justice Assistance Grant Program Cluster with CFDA No. 16.804	16.738	2010-DJ-BX-0387 2011-DJ-BX-2533 2012-DJ-BX-0878	781,000 264,000 1,106,000	634,000 117,000 744,000
		<i>Subtotal 16.738</i>			<u>2,363,000</u>	<u>1,532,000</u>
Mayor	Direct	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government Cluster with CFDA No. 16.738	16.804	2009-SB-B9-2024	<u>5,608,000</u>	<u>--</u>
		<i>Subtotal JAG Cluster (16.738, 16.804)</i>			<u>7,971,000</u>	<u>1,532,000</u>
Police	Direct	DNA Backlog Reduction Program	16.741	2011-DN-BX-K450 2012-DN-BX-0039	407,000 562,000	12,000 43,000
		<i>Subtotal 16.741</i>			<u>969,000</u>	<u>55,000</u>
Police	State of California - Office of Emergency Services	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ12097250 CQ13107250	22,000 33,000	-- --
		<i>Subtotal 16.742</i>			<u>55,000</u>	<u>--</u>
City Attorney	Direct	Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2012-MO-BX-0030	<u>27,000</u>	<u>--</u>
Police	Direct	Edward Byrne Memorial Competitive Grant Program	16.751	2009-DG-BX-0118	<u>69,000</u>	<u>18,000</u>
City Attorney	Direct	Economic High-Tech and Cyber Crime Prevention	16.752	2012-DG-BX-0008	120,000	--
Police	Direct	Economic High-Tech and Cyber Crime Prevention	16.752	2013-ZP-BX-0010	<u>167,000</u>	<u>--</u>
		<i>Subtotal 16.752</i>			<u>287,000</u>	<u>--</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Mayor	Direct	Congressionally Recommended Awards	16.753	2010-DD-BX-0397	\$ 81,000	\$ 76,000
City Attorney	Direct	Equitable Sharing Program	16.922	Unknown	15,000	--
Police	Direct	Equitable Sharing Program	16.922	Unknown	10,217,000	--
		<i>Subtotal 16.922</i>			10,232,000	--
TOTAL FOR DEPARTMENT OF JUSTICE					26,803,000	2,505,000
<u>DEPARTMENT OF LABOR</u>						
Economic Workforce Development	State of California-Employment Development Department	Employment Service/Wagner- Peysner Funder Activities	17.207	K285807	304,000	146,000
Aging	State of California- Department of Aging	Senior Community Service Employment Program	17.235	TV-1314-25	1,334,000	--
Economic Workforce Development	State of California- Employment Development Department	Workforce Investment Act (WIA) Adult Program Cluster with CFDA Nos. 17.259, and 17.278	17.258	K282478 K178663 K386300 K491021	229,000 3,000 3,103,000 10,839,000	139,000 3,000 3,103,000 6,665,000
		<i>Subtotal 17.258</i>			14,174,000	9,910,000
Economic Workforce Development	State of California- Employment Development Department	WIA Youth Activities Cluster with CFDA Nos. 17.258, and 17.278	17.259	K178663 K386300 K491021 K594764	(4,000) 3,000 12,952,000 2,468,000	-- -- 9,708,000 --
		<i>Subtotal 17.259</i>			15,419,000	9,708,000
Economic Workforce Development	South Bay Workforce Investment Board, Inc.	WIA Dislocated Worker Formula Grants Cluster with CFDA Nos. 17.258 and 17.259	17.278	13-WO-62	2,018,000	1,832,000
Economic Workforce Development	State of California- Employment Development Department	WIA Dislocated Worker Formula Grants Cluster with CFDA Nos. 17.258 and 17.259	17.278	K178663 K386300 K491021	1,000 2,517,000 10,363,000	1,000 2,165,000 5,414,000
		<i>Subtotal 17.278</i>			14,899,000	9,412,000
		<i>Subtotal WIA Program Cluster (17.258, 17.259, 17.278)</i>			44,492,000	29,030,000

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Economic Workforce Development	State of California- Employment Development Department	ARRA - WIA National Emergency Grants	17.277	K386300	\$ 184,000	\$ 155,000
Economic Workforce Development	South Bay Workforce Investment Board, Inc.	WIA National Emergency Grants	17.277	11-W113	7,282,000	5,494,000
		<i>Subtotal 17.277</i>			<u>7,466,000</u>	<u>5,649,000</u>
Economic Workforce Development	Direct	Workforce Innovation Fund	17.283	IF-23259-12-60-A-6	3,915,000	2,985,000
TOTAL FOR DEPARTMENT OF LABOR					<u>57,511,000</u>	<u>37,810,000</u>
<u>DEPARTMENT OF TRANSPORTATION</u>						
Recreation and Parks	State of California - Department of Transportation	Highway Planning and Construction	20.205	HPLUL-5006(507)	2,000	--
Public Works	State of California - Department of Transportation	Highway Planning and Construction	20.205	Various	47,893,000	--
Transportation	State of California - Department of Transportation	Highway Planning and Construction	20.205	Various	16,940,000	--
Public Works	State of California - Department of Transportation	ARRA - Highway Planning and Construction	20.205	ESPL-5006(598)	87,000	--
Transportation	State of California - Department of Transportation	ARRA - Highway Planning and Construction	20.205	ESPL-5006(674) ESPL-5006(593)	651,000 328,000	-- --
		<i>Subtotal 20.205</i>			<u>65,901,000</u>	<u>--</u>
Transportation	Direct	Federal Transit - Capital Investment Grants Cluster with CFDA No. 20.507	20.500	CA-04-0114-00 0815/MOU-WBRTL	238,000 4,829,000	-- --
		<i>Subtotal 20.500</i>			<u>5,067,000</u>	<u>--</u>
Transportation	Direct	Federal Transit - Formula Grants Cluster with CFDA No. 20.507	20.507	CA-95-X063-00 CA-90-Y675-00 CA-95-X226-00	1,716,000 7,251,000 3,200,000	-- -- --
		<i>Subtotal 20.507</i>			<u>12,167,000</u>	<u>--</u>
		<i>Subtotal Federal Transit Cluster (20.500, 20.507)</i>			<u>17,234,000</u>	<u>--</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Aging	Los Angeles County Metropolitan Transportation Authority (LACMTA)	Job Access Reverse Commute Cluster with CFDA No. 20.521	20.516	MOU.JARCLAC08	\$ 38,000	\$ --
Aging	Los Angeles County Metropolitan Transportation Authority (LACMTA)	New Freedom Program Cluster with CFDA No. 20.516	20.521	MOU.NFLACITY08	9,000	--
		<i>Subtotal Transit Services Programs Cluster (20.516, 20.521)</i>			<u>47,000</u>	<u>--</u>
City Attorney	State of California - Office of Traffic Safety	State and Community Highway Safety Cluster with CFDA No. 20.613	20.600	AL1304 D11422	148,000 222,000	-- --
Police	State of California - Office of Traffic Safety	State and Community Highway Safety Cluster with CFDA No. 20.613	20.600	PT1330 PT14119	294,000 1,100,000	-- --
		<i>Subtotal 20.600</i>			<u>1,764,000</u>	<u>--</u>
Housing and Community Investment	State of California- Office of Traffic Safety	Child Safety and Child Booster Seats Incentive Grants Cluster with CFDA No. 20.600	20.613	OP1314	138,000	--
		<i>Subtotal Highway Safety Cluster (20.600, 20.613)</i>			<u>1,902,000</u>	<u>--</u>
Housing and Community Investment	State of California- Office of Traffic Safety	National Priority Safety Programs	20.616	OP1405	294,000	--
Police	State of California- Office of Traffic Safety	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC13239 SC14239	691,000 1,600,000	-- --
		<i>Subtotal 20.608</i>			<u>2,291,000</u>	<u>--</u>
TOTAL FOR DEPARTMENT OF TRANSPORTATION					<u>87,669,000</u>	<u>--</u>
 <u>DEPARTMENT OF THE TREASURY</u>						
Police	Direct	Equitable Sharing Program	21.000	Unknown	141,000	--
Police	Direct	Taxpayer Service	21.003	Unknown	83,000	--
Police	Direct	Tax Counseling for the Elderly	21.006	Unknown	11,000	--
TOTAL FOR DEPARTMENT OF THE TREASURY					<u>235,000</u>	<u>--</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>						
Cultural Affairs	Direct	Promotion of the Arts - Grants to Organizations and Individuals	45.024	11-4292-7082 152630 13-6200-7033 192305	\$ 185,000 3,000 60,000 14,000	\$ 75,000 -- -- --
<i>Subtotal 45.024</i>					<u>262,000</u>	<u>75,000</u>
TOTAL FOR NATIONAL ENDOWMENT FOR THE ARTS					<u>262,000</u>	<u>75,000</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Public Works	Direct	Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96934601-0 BF-00T51701-0	61,000 58,000	-- --
<i>Subtotal 66.818</i>					<u>119,000</u>	<u>--</u>
TOTAL FOR ENVIRONMENTAL PROTECTION AGENCY					<u>119,000</u>	<u>--</u>
<u>DEPARTMENT OF ENERGY</u>						
Housing and Community Investment	Direct	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) (Note 6)	81.128	13EE004016	<u>26,000</u>	<u>--</u>
TOTAL FOR DEPARTMENT OF ENERGY					<u>26,000</u>	<u>--</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Aging	State of California - Department of Aging	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation Cluster with CFDA Nos. 93.042, 93.043, 93.044, 93.045, 93.052 and 93.053	93.041	A3-1314-25 A9-1314-25	11,000 38,000	11,000 38,000
<i>Subtotal 93.041</i>					<u>49,000</u>	<u>49,000</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Aging	State of California - Department of Aging	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals Cluster with CFDA Nos. 93.041, 93.043, 93.044, 93.045, 93.052 and 93.053	93.042	A3-1314-25 A9-1314-25	\$ 18,000 <u>63,000</u>	\$ 18,000 <u>63,000</u>
		<i>Subtotal 93.042</i>			<u>81,000</u>	<u>81,000</u>
Aging	State of California - Department of Aging	Special Programs for the Aging Title III, Part D Disease Prevention PART F-Disease Prevention and Health Promotion Services Cluster with CFDA Nos. 93.041, 93.042, 93.044, 93.045, 93.052 and 93.053	93.043	A3-1314-25 A9-1314-25	47,000 <u>156,000</u>	47,000 <u>156,000</u>
		<i>Subtotal 93.043</i>			<u>203,000</u>	<u>203,000</u>
Aging	State of California - Department of Aging	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers. Cluster with CFDA Nos. 93.041, 93.042, 93.043, 93.045, 93.052 and 93.053	93.044	A3-1314-25 A9-1314-25	759,000 <u>2,367,000</u>	596,000 <u>1,952,000</u>
		<i>Subtotal 93.044</i>			<u>3,126,000</u>	<u>2,548,000</u>
Aging	State of California - Department of Aging	Special Programs for the Aging Title III, Part C Nutrition Services. Cluster with CFDA Nos. 93.041, 93.042, 93.043, 93.044, 93.052 and 93.053	93.045	A3-1314-25 A9-1314-25	1,145,000 <u>4,039,000</u>	1,042,000 <u>3,681,000</u>
		<i>Subtotal 93.045</i>			<u>5,184,000</u>	<u>4,723,000</u>
Aging	State of California - Department of Aging	National Family Caregiver Support Title III, Part E Cluster with CFDA Nos. 93.041, 93.042, 93.043, 93.044, 93.045 and 93.053	93.052	A3-1314-25 A9-1314-25	258,000 <u>868,000</u>	118,000 <u>472,000</u>
		<i>Subtotal 93.052</i>			<u>1,126,000</u>	<u>590,000</u>
Aging	State of California - Department of Aging	Nutrition Services Incentive Program Cluster with CFDA Nos. 93.041, 93.042, 93.043, 93.044, 93.045 and 93.052	93.053	A3-1314-25 A9-1314-25	196,000 <u>797,000</u>	196,000 <u>797,000</u>
		<i>Subtotal 93.053</i>			<u>993,000</u>	<u>993,000</u>
		<i>Subtotal Aging Cluster (93.041, 93.042, 93.043, 93.044, 93.045, 93.052, 93.053)</i>			<u>10,762,000</u>	<u>9,187,000</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Aging	State of California - Department of Aging	Medicare Enrollment Assistance Program	93.071	MI-1314-25	\$ 37,000	\$ --
Police	Chabad of California	Drug-Free Communities Support Program Grants	93.276	7H79SP018576-01	5,000	--
City Planning	County of Los Angeles - Department of Public Health	PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	PH-002162	341,000	--
Economic Workforce Development	County of Los Angeles - Department of Community and Senior Services	Temporary Assistance for Needy Families	93.558	IA1102 IA0114	1,170,000 2,484,000	1,051,000 1,840,000
		<i>Subtotal 93.558</i>			<u>3,654,000</u>	<u>2,891,000</u>
Housing and Community Investment	State of California - Department of Community Services and Development	Community Services Block Grant	93.569	13F-3022 14F-3022	4,222,000 900,000	3,271,000 720,000
		<i>Subtotal 93.569</i>			<u>5,122,000</u>	<u>3,991,000</u>
Recreation and Parks	State of California - Department of Education	Child Care and Development Block Grant Cluster with CFDA No. 93.596	93.575	CSPP-3159 CCTR-3079	15,000 1,000	-- --
		<i>Subtotal 93.575</i>			<u>16,000</u>	<u>--</u>
Recreation and Parks	State of California - Department of Education	Child Care Mandatory and Matching Funds of the Child Care and Development Fund Cluster with CFDA No. 93.575	93.596	CSPP-3159 CCTR-3079	31,000 2,000	-- --
		<i>Subtotal 93.596</i>			<u>33,000</u>	<u>--</u>
		<i>Subtotal CCDF Cluster (93.575, 93.596)</i>			<u>49,000</u>	<u>--</u>
Recreation and Parks	Community Health Councils, Inc. (CHC)	PPHF : Community Transformation Grants - Small Communities Program financed solely by Public Prevention and Health Funds	93.737	CDC-RFA-DP12- 1216PPHF12	19,000	--

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Aging	State of California - Department of Aging	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	H9-1314-25 HI-1415-25	\$ 130,000 <u>61,000</u>	\$ 122,000 <u>58,000</u>
		<i>Subtotal 93.779</i>			<u>191,000</u>	<u>180,000</u>
TOTAL FOR DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>20,180,000</u>	<u>16,249,000</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>						
Fire	Direct	National Urban Search and Rescue (US&R) Response System	97.025	EMW-2011-CA-00049 EMW-2012-CA-K00016 EMW-2013-CA-K00017	161,000 429,000 <u>342,000</u>	-- -- <u>--</u>
		<i>Subtotal 97.025</i>			<u>932,000</u>	<u>--</u>
City Administrative Officer	State of California- Office of Emergency Services	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	<u>351,000</u>	<u>--</u>
Emergency Management	County of Los Angeles - Office of Emergency Management	Emergency Management Performance Grants	97.042	2012-0027	<u>607,000</u>	<u>--</u>
Mayor	State of California- California Emergency Management Agency	Pre-Disaster Mitigation	97.047	2012-1001	<u>472,000</u>	<u>469,000</u>
Police	Direct	Port Security Grant Program	97.056	2010-PU-T0-K004	<u>239,000</u>	<u>--</u>
Mayor	County of Los Angeles- Office of Emergency Management	Homeland Security Grant Program	97.067	2010-0085 2011-SS-0077 2012-SS-00123	167,000 462,000 443,000	-- -- --
Police	Direct	Homeland Security Grant Program	97.067	Unknown	113,000	--
Mayor	State of California- California Emergency Management Agency	Homeland Security Grant Program	97.067	2009-0019 2010-0085 2011-SS-0077 2012-0123 2013-00110	16,993,000 17,423,000 30,709,000 19,179,000 <u>1,418,000</u>	6,000 13,204,000 21,833,000 10,755,000 <u>240,000</u>
		<i>Subtotal 97.067</i>			<u>86,907,000</u>	<u>46,038,000</u>

CITY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)

<u>FEDERAL GRANTOR/ CITY DEPARTMENT</u>	<u>PASS THROUGH GRANTOR</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT/PASS THROUGH NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENTS</u>
Police	Direct	Competitive Training Grant	97.068	2008-GT-T8-K029	\$ 874,000	\$ --
Police	Direct	Law Enforcement Officer Reimbursement Agreement Program	97.090	CA0194200	265,000	--
Mayor	Direct	Securing the Cities Program	97.106	2012-DN-106-000001-02	251,000	--
Mayor	State of California- Emergency Management Agency	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2010-CA-T0-0002 2011-0013	2,018,000 258,000	668,000 44,000
		<i>Subtotal 97.111</i>			2,276,000	712,000
TOTAL FOR DEPARTMENT OF HOMELAND SECURITY					93,174,000	47,219,000
TOTAL FEDERAL AWARDS					\$ 449,655,000	\$ 171,260,000

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

1. Reporting Entity for Single Audit

The City of Los Angeles, California (City) has defined its single audit reporting entity for the purpose of this report, in accordance with the Single Audit Act, as:

"Those Departments and Offices over which the Mayor and the City Council have direct legislative, executive and budgetary control."

The Housing Authority of the City of Los Angeles is fiscally independent of the City and therefore excluded from the City's reporting entity under generally accepted accounting principles and, accordingly, from its Single Audit reporting entity.

For the purpose of the Schedule of Expenditures of Federal Awards, the reporting entity consists of the following City Departments and Offices:

Aging	Finance
Animal Services	Fire
Building and Safety	General Services
City Administrative Officer	Housing and Community Investment
City Attorney	Information Technology Agency
City Clerk	Library
City Ethics Commission	Mayor
Community Development	Neighborhood Empowerment
Controller	Personnel
Convention Center	Planning
Council	Police
Cultural Affairs	Public Works
Disability	Recreations and Parks
El Pueblo de Los Angeles	Transportation
Emergency Management	Zoo
Employee Relations Board	

Note: Effective April 23, 2014, Convention Center was reorganized and renamed Convention and Tourism Development.

The Federal award programs administered by the following City Departments and affiliated separate legal entities are not included in the Schedule of Expenditures of Federal Awards but have separate independent single audits:

<u>Department/Agencies</u>	<u>Federal Single Audit Cognizant/Oversight Agencies</u>	<u>Auditors</u>
Airports	Department of Homeland Security	Macias Gini & O'Connell LLP
Harbor	Department of Homeland Security	Simpson & Simpson CPAs

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

1. Reporting Entity for Single Audit (Continued)

<u>Department/Agencies</u>	<u>Federal Single Audit Cognizant/Oversight Agencies</u>	<u>Auditors</u>
Housing Authority of the City of Los Angeles	Department of Housing and Urban Development	Macias Gini & O'Connell LLP
Water and Power	Environmental Protection Agency (Water System)	KPMG LLP
	Department of Energy (Power System)	

2. Basis of Accounting

- a. The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year that meet Federal grant eligibility requirements.
- b. Accounting for Federal expenditures for disaster recovery activity is based on actual expenditures incurred for the approved Project Worksheet (formerly Damage Survey Reports) including expenditures incurred in prior fiscal years which became eligible under the grant in the current fiscal year.
- c. Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the City's basic financial statements.

3. Changes in CFDA Numbers and Other Reclassifications

- a. Programs that are no longer included in the current CFDA book are being retained to report expenditures incurred or to show outstanding loans of those programs.
- b. Expenditures for CFDA No. 17.259, grant no K178663 reflect a credit balance due to the refunds from subrecipients.
- c. The California Health and Human Services Agency, Department of Aging, has designated CFDA No.93.041, 93.042, 93.043 and 93.052 to be added to the Aging Cluster.

4. Change in Program Title

Program titles for the following programs have been changed in the current year.

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

4. Change in Program Title (Continued)

<u>CFDA No.</u>	<u>Old Program Title</u>	<u>New Program Title</u>
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds
93.737	PPHF 2012: Community Transformation Grants Small Communities Program Financed solely by 2012 Public Prevention and Health Funds	PPHF: Community Transformation Grants – Small Communities Program financed solely by Public Prevention and Health Funds

5. Major Federal Programs

Under the risk based approach to determine major programs under OMB Circular A-133, major programs of the City may have expenditures as low as \$300,000 if the program is considered to be high risk. Level of risk is determined by the auditor’s judgement and guidelines issued by OMB and Federal agencies.

6. Outstanding Loans of Federal Funds

The following is a summary of outstanding loans at cost by CFDA number as of June 30, 2014. The outstanding loan balances do not reflect an allowance for uncollectibles of \$895,226,000. The principal balances of loans that originated in previous years are not included in the total expenditures in the accompanying SEFA; however, these loans are subject to the City’s internal continuing monitoring of compliance requirements.

<u>CFDA No.</u>	<u>Federal Grantor</u>	<u>Administering City Departments</u>	<u>Outstanding Balance as of June 30, 2014</u>
14.174	HUD	Housing	\$ 3,569,000
14.218	HUD	Economic & Workforce Development	34,102,000
		Housing	292,320,000
		Subtotal for CFDA No. 14.218	<u>326,422,000</u>
14.228	HUD	Housing	4,500,000
14.230	HUD	Housing	2,141,000
14.239	HUD	Housing	639,211,000
14.241	HUD	Housing	13,336,000
14.248 *	HUD	Economic & Workforce Development	169,604,000
		Housing	34,712,000
		Subtotal for CFDA No. 14.248	<u>204,316,000</u>
14.253	HUD	Economic & Workforce Development	1,465,000
14.256	HUD	Housing	39,580,000
14.Unknown	HUD	Housing (previously reported under CFDA No. 14.871)	6,799,000
81.128	HUD	Economic & Workforce Development	3,649,000
		Grand total	<u><u>\$ 1,244,988,000</u></u>

*Loans are subject to Federal continuing compliance requirements and are considered for the purpose of major program determination.

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

7. Industrial Commercial Revolving Loan Program (CFDA Nos. 11.307 and 14.218)

The City and the Los Angeles LDC, Inc. (LA LDC), a not-for-profit organization, had entered into an agreement which authorized LA LDC to administer the City's Industrial Commercial Revolving Loan Program (Program). The Program was funded by federal allocations that the City received from the Economic Adjustment Assistance – Economic Development Administration Revolving Loan Fund (CFDA No. 11.307) and Community Development Block Grant (CFDA No. 14.218).

LA LDC's independent external auditors opined that LA LDC did not comply in all material respects with the requirements of the Economic Adjustment Assistance – Economic Development Administration Revolving Loan Fund (CFDA No. 11.307) and Community Development Block Grant (CFDA No. 14.218) for the fiscal years ended September 30, 2006, 2007, 2008, and 2009. Beginning fiscal year 2007-08, the City worked with its contracted certified public accounting firm (CPA Firm) to obtain financial records from LA LDC and determine the loan balances and program income. On December 17, 2009, the City presented a demand letter to LA LDC requesting the return of \$11,050,000, consisting of \$3,331,000 outstanding loans and \$7,719,000 program income. The City's litigation against the LA LDC is ongoing (City of Los Angeles v. LA LDC, Inc, Los Angeles Superior Court Case No. BC460924). A tentative settlement was reached in court at the Mandatory Settlement Conference in October, 2014 and the February, 2015 trial date has been vacated. The parties are working toward a formalized settlement agreement and the required Council and committee approvals. The Federal grantor, Economic Development Administration, was informed by the City regarding the litigation to recover any remaining Federal funds from LA LDC.

The outstanding loan balances are not included in the total expenditures in the accompanying Schedule of Expenditures of Federal Awards and in the summary of outstanding loans of Federal funds in Note 6 of this report.

8. Department of Alcoholic Beverage Control (ABC)

The following schedule is being included per the requirements of the ABC.

<u>State Grantor/ City Department</u>	<u>Program Title</u>	<u>Agreement Number</u>	<u>Expenditures</u>
State of California			
Department of Alcoholic Beverage Control			
Police	Operation Alcoholic Beverage Control	13G-LA21	<u>\$ 100,000</u>

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

9. California Department of Aging (CDA) Single Audit Reporting Requirements

The terms and conditions of agency contracts with CDA require agencies to display state funded expenditures discretely along with the related Federal expenditures. CDA grant expenditures that involve Federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For state grants not involving Federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	Grant/ Contract No.	CFDA No.	Expenditures State	Federal
U.S. Department of Health and Human Services				
Passed through State of California, Department of Aging:				
Title III B	A3-1314-25	93.044	\$ -	\$ 758,937
Title III B	A9-1314-25	93.044		2,367,396
Title III C1 Congregate Nutrition	A3-1314-25	93.045	69,190	772,480
Title III C1 Congregate Nutrition	A9-1314-25	93.045	347,201	2,651,052
Title III C2 Home Delivered Nutrition	A3-1314-25	93.045	135,931	372,847
Title III C2 Home Delivered Nutrition	A9-1314-25	93.045	447,291	1,387,488
Title III D	A3-1314-25	93.043		46,575
Title III D	A9-1314-25	93.043	-	156,273
Title III E	A3-1314-25	93.052		258,026
Title III E	A9-1314-25	93.052	-	868,304
NSIP C1	A3-1314.25	93.053		102,162
NSIP C1	A9-1314-25	93.053	-	414,460
NSIP C2	A3-1314.25	93.053		94,203
NSIP C2	A9-1314-25	93.053	-	382,171
Title VII A	A3-1314-25	93.042		17,508
Title VII A	A9-1314-25	93.042	-	63,002
Title VII B	A3-1314-25	93.041		11,098
Title VII B	A9-1314-25	93.041	-	38,256
Title V	TV-1314-25	17.235	-	1,333,740
C1 Special Nutrition Fund			409,537	-
C2 Special Nutrition Fund			240,904	-
Ombudsman Volunteer Recruitment Initiative- Special Deposit			137,347	-
Ombudsman Volunteer Recruitment Initiative- Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF)			147,191	-
Health Insurance Counseling and Advocacy Program (HICAP)	H9-1314-25	93.779	339,931	130,205
Health Insurance Counseling and Advocacy Program (HICAP)	HI-1415-25	93.779	114,229	60,537
Medicare Improvements for Patients Provider Act	M1-1314-25	93.071	-	36,760
Total			\$ 2,388,752	\$ 12,323,480

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

10. State of California Department of Community Services and Development Supplemental Schedule of Revenue and Expenditures

The City's funding agreement with the State of California Department of Community Services and Development (CSD) require the City to present a supplemental schedule of revenue and expenditures for CSD-funded contracts.

The supplemental schedules of revenue and expenditures (Schedules) reflect the results of operations of Community Services Block Grant (CSBG) (CFDA No. 93.569) of the City under Contract No. 13F-3022, Project No. CAA-2013; and Contract No. 14F-3022, Project No. CAA-2014 passed through the State of California Department of Community Services and Development.

Effective July 1, 2013, the administration of CSBG was transferred to the City's Los Angeles Housing and Community Investment Department from the former City Community Development Department. The CSBG program provides services and activities addressing employment, education, better use of available income, housing, nutrition, emergency services, and health.

The term of Contract No. 13F-3022, as amended, was for the period January 1, 2013 through June 30, 2014. The maximum amount under Contract No.13F-3022, as amended was \$6,035,126 that provided funding for Project No. CAA-2013.

The term of Contract No. 14F-3022 is for the period January 1, 2014 through December 31, 2014. The maximum amount under Contract No.14F-3022 is \$6,112,576 that provides funding for Project No. CAA-2014.

The following schedules are presented to comply with these requirements and are presented using the modified accrual basis of accounting.

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

10. State of California Department of Community Services and Development
Supplemental Schedule of Revenue and Expenditures (Continued)

Community Services Block Grant - CFDA No. 93.569
Contract No. 13F-3022, Project No. CAA-2013

	<u>January 1, 2013 through June 30, 2013</u>	<u>July 1, 2013 through June 30, 2014</u>	<u>Total Reported</u>	<u>Total Budget</u>
Revenue				
Grant Revenue	\$ 3,378,983	\$ 2,656,143	\$ 6,035,126	\$ 6,035,126
Interest Income/Program Income	5,505	9,754	15,259	--
Deferred Interest Income	(5,505)	5,505	--	--
Deferred Grant Revenue	<u>(1,550,147)</u>	<u>1,550,147</u>	<u>--</u>	<u>--</u>
Total Revenue	<u>1,828,836</u>	<u>4,221,549</u>	<u>6,050,385</u>	<u>6,035,126</u>
Expenditures				
Administrative Costs				
Salaries and Wages	563,978	477,472	1,041,450	976,356
Fringe Benefits	135,143	165,813	300,956	348,461
Operating Expenses and Equipment	<u>78,890</u>	<u>99,157</u>	<u>178,047</u>	<u>180,377</u>
Total Administrative Costs	<u>778,011</u>	<u>742,442</u>	<u>1,520,453</u>	<u>1,505,194</u>
Program Costs				
Salaries and Wages	125,120	153,684	278,804	278,804
Fringe Benefits	45,367	54,138	99,505	99,505
Subcontractor Services	<u>880,338</u>	<u>3,271,285</u>	<u>4,151,623</u>	<u>4,151,623</u>
Total Program Costs	<u>1,050,825</u>	<u>3,479,107</u>	<u>4,529,932</u>	<u>4,529,932</u>
Total Expenditures	<u>1,828,836</u>	<u>4,221,549</u>	<u>6,050,385</u>	<u>6,035,126</u>
Excess of Revenue Over Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF LOS ANGELES, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2014

**10. State of California Department of Community Services and Development
Supplemental Schedule of Revenue and Expenditures (Continued)**

**Community Services Block Grant - CFDA No. 93.569
Contract No. 14F-3022, Project No. CAA-2014**

	<u>January 1, 2014 through June 30, 2014</u>	<u>Total Budget</u>
Revenue		
Grant Revenue	\$ 2,208,695	\$ 6,112,576
Interest Income/Program Income	3,373	--
Deferred Interest Income	(3,373)	--
Deferred Grant Revenue	(1,308,248)	--
Total Revenue	<u>900,447</u>	<u>6,112,576</u>
Expenditures		
Administrative Costs		
Salaries and Wages	93,367	878,855
Fringe Benefits	48,779	306,433
Operating Expenses and Equipment	38,444	104,799
Out-of-State Travel	--	3,655
Other Costs	152	54,506
Total Administrative Costs	<u>180,742</u>	<u>1,348,248</u>
Program Costs		
Subcontractor Services	<u>719,705</u>	<u>4,764,328</u>
Total Expenditures	<u>900,447</u>	<u>6,112,576</u>
Excess of Revenue Over Expenditures	<u>\$ --</u>	<u>\$ --</u>

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I - Summary of Auditor's Results

(a) Financial Statements

Type of auditor's report issued: **Unmodified Opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **Yes**
- Significant deficiency(ies) identified? **Yes**

Noncompliance material to the financial statements noted? **No**

(b) Federal Awards

Internal control over major programs:

- Material weakness(es) identified? **Yes**
- Significant deficiency(ies) identified? **Yes**

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs

Any audit findings which are required to be reported in accordance with Section 510(a) of Circular A-133: **Yes**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
16.710	Public Safety Partnership and Community Policing Grants

CITY OF LOS ANGELES, CALIFORNIA
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended June 30, 2014

Identification of major programs (continued):

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.738/16.804	JAG Cluster
17.258/17.259/17.278	Workforce Investment Act Cluster
17.277	Workforce Investment Act National Emergency Grants
17.283	Workforce Innovation Fund
20.205	Highway Planning Cluster
93.041/93.042/93.043/ 93.044/93.045/93.052/ 93.053	Aging Cluster
93.558	Temporary Assistance for Needy Families
97.067	Homeland Security Grant Program
97.111	Regional Catastrophic Preparedness Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**

Auditee qualified as a low-risk auditee? **No**

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

2014-001. Risk Assessment over Financial Reporting

1. Control Environment and Risk Assessment

Criteria:

A sound framework of internal control is necessary to afford a reasonable basis for governments to assert that the financial information they disclose can be relied upon. Per the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), an internal control is defined as "a process effected by an organization's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an organization will be achieved."

An organization uses a system of internal control to help it achieve its objectives, which begin with the control environment. The control environment sets the tone for the commitment to external financial reporting between management and those charged with governance.

An organization should have a system of internal controls based on identified risks, which are suitably designed to allow management to prepare external financial statements that are reliable and prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Condition:

The City does not have a comprehensive risk assessment process over external financial reporting.

Due to the risks associated with the decentralized nature of the City, in 2008, the City Controller identified and issued a report titled "Evaluation of Citywide Risk Management Functions" related to the lack of risk assessment within the City.

The report recommended that the City establish an organizational and governance structure for an enterprise risk management model (ERM). The report further recommended that the City be responsible for implementing a risk assessment framework similar to that mentioned in the Green Book.

As of fiscal year 2014, an ERM or risk assessment framework over external financial reporting has not yet been implemented.

Cause:

Uncertain economic conditions leading to fiscal restraints for the City have resulted in a lack of resource allocation for the implementation of a comprehensive assessment process to address risks associated with external financial reporting.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Effect:

The inability to implement the financial statement risk assessment portion of an ERM has left the City exposed to risk of misstatement in external financial reporting.

Recommendation:

We recommend that the City adopt a process for financial statement risk assessment to ensure that adequate controls over external financial reporting exist.

Management Response and Corrective Action:

The City's accounting structure relies on individual City departments and Departmental Chief Accountants, designated under the City Charter, to ensure and implement necessary internal controls and accounting practices in the discharge of accounting and financial duties. In 2008, the Controller's Office highlighted the lack of citywide, global risk assessment within City operations.

The City has some programs for specific management activities around selected risk areas such as for mitigating losses related to insurance/property claims and managing workers' compensation claims and costs. It should be noted that the current Mayor and Council have placed a strong emphasis on performance management which, while not a complete and formal enterprise risk management system, it is an important element of risk management. However, much of the City's risk management activities are embedded within the general management activities of departmental and City operations. While a number of observations and their associated risks led to the Controller's Office recommendation for an Enterprise Risk Management program, it has not been implemented to date.

Since that time, certain risks to City financial accounting and reporting have increased. In 2010, the City's external auditor at that time expressed to the City's Audits and Government Efficiency (AGE) Committee that austerity measures undertaken by the City had resulted in a citywide shortage of accounting, auditing and financial reporting personnel. A subsequent Controller's Office report to AGE identified risks inherent to reduced accounting and audit staffing, including the potential for internal control deficiency and financial loss.

The City does have a recent history of responding to financial control risks. Recent system replacements pursued by Mayor, Council, and Controller's Office including the implementation of the Financial Management System and replacement of the Supply Management System are significant efforts in mitigating numerous identified financial risks.

Outside of systems; however, external financial reporting relies on the activities and reporting of individual City departments. Presently, City accounting policies, an Internal Control Certification Program, limited audit resources, and various accounting controls are geared toward managing departmental accounting risks. While the City lacks a comprehensive risk management system and current resources are limited, the Controller's Office will draft a framework for Internal Controls over External Financial Reporting to be implemented within each department citywide. Internal controls will require resources to manage control activities and auditors to monitor.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

2. Control Activities and Monitoring

Criteria:

Included in the framework for internal controls are the components for control activities and monitoring. The control activities establish the City's actions to achieve its reporting objectives and respond to risks identified over external financial reporting through policies and procedures. This involves selecting, developing, and executing internal control processes to ensure the financial statements are reliable and in conformity with GAAP. Monitoring activities establish the City's assessment of the quality of performance over time to identify control deficiencies.

Condition:

The City has not established a comprehensive assessment of risks over external financial reporting. In the absence of a risk assessment, the City has not identified the critical controls to ensure compliance with external financial reporting requirements nor have these critical controls been monitored on a regular basis.

The City's current control activities, while necessary, emphasize risks primarily at the transaction level rather than at the external financial reporting level. The transaction level reporting and monitoring includes Demand Audit for payments, Funds and Appropriations for budgetary controls, and the Audit Division for departmental controls. As the City is decentralized, individual City departments' internal control processes are significantly relied upon for accurate external financial reporting.

The lack of controls over external financial reporting resulted in certain inconsistencies by various departments in the preparation of financial information used in preparing the City's basic financial statements included in its Comprehensive Annual Financial Report (CAFR) resulting in misstatements, such as misclassifications of financial statement elements, and misapplications of GAAP. As an example, the reversion worksheets prepared at the department level to reclassify expenditures initially recorded in the General Fund to the proper funds add an extra element of complexity to the financial reporting process. Since these reversion worksheets are based on both budgeted and actual expenditures, there is an increased risk that the consolidation process for external financial reporting may contain errors. This is further complicated by the City's multiple proprietary IT systems (PaySR, LATAX, and SMS) that interface with the City's Financial Management System (FMS), which is then summarized in a Microsoft Access database used by the Controller's Office to prepare the City's CAFR.

Cause:

The City's lack of a framework to ensure that risks over external financial reporting are identified, does not allow for proper design and implementation of control and monitoring activities to mitigate or address those risks.

Effect:

The lack of critical controls and monitoring of high risk areas for financial reporting resulted in 1) misstatements of \$674 million; 2) transactions totaling \$1.3 billion not reported in conformity with GAAP of which \$1.1 billion is related to the incorrect presentation of restricted assets; and 3) omission of certain required financial statement disclosures. All significant misstatements and omissions of disclosures were corrected by management.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Recommendation:

The City should design and implement a system of internal controls over external financial reporting. The system of internal controls should include: 1) implementation of a risk assessment over external financial reporting; 2) design and implementation of controls over critical risk areas identified; 3) monitoring of stated controls; and 4) periodic re-evaluations of risks and controls.

Management Response and Corrective Action:

The City's goal would be to limit inconsistencies in financial reporting to the extent reasonably possible. Some estimation or simple human errors normally appear which are subsequently identified in the audit process and corrected; however, a number of issues identified involve long standing practices, including misclassifications, implemented in prior years and passed previous external audits. It should be noted that all issues were properly considered and addressed by the City, including classification corrections.

In the specific case of incorrect presentation of restricted assets, the City has presented bond proceeds and debt service cash under Cash and Pooled Investments without differentiating restricted and unrestricted amounts since the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 for fiscal year 2001-02. The City has been externally audited each year without a finding on this classification. During this same period, the related fund balances have been reported appropriately as restricted. Outside of reporting, these restricted funds have been correctly segregated and classified for operational and compliance purposes for which the City has dedicated resources to put strict controls into place. Additional resources are required for greater control emphasis on financial reporting.

In identifying risks, the Controller's Office reviews information provided by departments, but also relies on various other internal and external resources. Though the risks identified regarding financial reporting are not always formally documented, they are dealt with in various ways whether by direct incorporation into the preparation and presentation of financial reports, in communications with departments, updates and changes to policy and procedures, by desk review or audit, via budgetary request, technology enhancement and replacement, and other means.

However, the Controller's Office is not adequately resourced to maintain a comprehensive citywide external financial reporting risk management program. The Controller's Office is reliant on City departments to maintain and adhere to their own internal controls.

The Controller's Office will draft a framework for Internal Controls over External Financial Reporting to be implemented within each department citywide. Internal controls require personnel and technology resources to identify, manage and monitor risks. The Controller's Office is seeking to secure additional resources for these purposes.

2014-002. Information Technology – General Controls Review

Criteria:

The City relies heavily upon computers and other advanced technologies to conduct its operations and to provide many essential services to the public. The disruption of these services following a disaster or accidental/intentional misuse of data access could result in significant harm or inconvenience to those whom the City serves. The City has a duty to ensure that disruptions in the provision of essential services are minimized following a disaster. Therefore, disaster prevention and recovery planning along with data access monitoring, in order to be effective, must

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

specifically address policies and procedures for minimizing the disruption of City operations if computers or other advanced technologies are disabled following a disaster and/or misuse of IT access to data.

1. Lack of Adequate Fire Protection at Server Room

Condition:

The City's server room does not have an automatic non-water fire suppression system. We note that the City has plans to build a new data center adjacent to its current center, and install adequate fire protection.

Cause:

The City's server room lacks adequate fire protection.

Effect:

The lack of such a system increases the risk of damage to IT assets and data loss.

Recommendation:

The City should ensure that the new data center contains a dry fire suppression system.

Management Response and Corrective Action:

The City Information Technology Agency (ITA) places a high priority on disaster prevention and recovery planning to minimize risk to critical City processes due to system outages. The City's current primary data center has multiple preventative measures, including various facility practices, sensors, and 24/7 onsite staffing. However, the City does not currently have an automatic non-water fire suppression system. As noted, the City has already allocated funding and begun design of large data center renovations which will include an automated non-water fire suppression system.

2. Access to Programs and Data

Condition:

General computer controls over the access to programs and data require that network and application security controls be implemented to ensure administrative, master, and super user activities are properly authorized and to safeguard access to information technology resources and data.

Cause:

The City does not regularly review high-level user activity and user access privileges.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Effect:

During our review we noted the following:

- 1) Procedures have not been established to monitor administrative, master, and super user activity in the financial systems and related databases. This observation affects two of the three primary financial systems. Not monitoring high-level user activity increases the risk of possible unauthorized activity taking place within the financial systems.
- 2) Policies and procedures have not been established to monitor employee user access privileges within the financial systems to ensure that user authorization roles are current and appropriate for the user's functions, and to ensure proper segregation of duties.
- 3) The City's Financial Management System (FMS) has a couple of "generic" logins, including for transaction approval, which are not tied to a specific individual. Use of generic logons makes it difficult or impossible to determine the actual person who performed a transaction and increases the risk of fraudulent activity by an "anonymous" user.
- 4) The City's Supply Management System (SMS) does not have a policy or process for deactivating users at the time their employment is terminated from the City. This increases the risk of another user using a terminated user's credentials for unauthorized activity.

Recommendations:

In order to minimize the risk of improper or unauthorized administrator activities within the City's major IT systems, we recommend that the City take the following actions:

- 1) Develop policies and implement procedures requiring periodic (e.g. monthly) reviews of financial application administrative, master, and super user activities at the application and database levels. The review should be performed by a position outside of the chain of command of these users with high level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of this activity.
- 2) Develop policies and implement procedures requiring periodic (at least annually) reviews of user access privileges to ensure that the access privileges are current and appropriate for their job functions and to ensure proper segregation of duties.
- 3) Eliminate the use of generic FMS logons, and transition the appropriate access to specific individual user accounts.
- 4) Develop policies and implement procedures to ensure that terminated employees and contractors have their system and application access privileges revoked immediately.

Management Response and Corrective Action:

- 1) For the Payroll System (PaySR), the Controller's Office identified the group of application "super users" and reviewed their activity to date. The Controller's Office is implementing an annual review of the activity of "super users", control table users, and application security administrators going forward. On the infrastructure side, the Information Technology Agency (ITA) is in the process of changing the database password across databases, and plans to implement a semi-annual review of the activity of server/database administrators thereafter.

Though the Financial Management System (FMS) has conducted periodic review of users with administrative access, the Controller's Office is in the process of establishing additional

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

protocols to further strengthen this process, including the development of new automated reports for security analysis.

For the Supply Management System (SMS), ITA manages a single “super user”. As was demonstrated to the auditors, this role is currently disabled. The last time the role was used was September 2012. Although a formal procedure for monitoring the activity of this ID does not currently exist, a procedure will be developed to track activity for this ID. The SMS Technical team will regularly monitor this log.

The SMS Functional team relies on an administrator role tied to the SMS Support Manager’s user ID. The privileges of this role will be separated, and a new system ID will be created. Only the SMS Support Manager will have access to this new administrator ID. A log will be used to track the activities of the new ID.

- 2) For PaySR, the Controller's Office identified the group of application “super users” and reviewed their access privileges, resulting in altering and removing some access. The Controller's Office is implementing an annual review of the privileges of “super users”, control table users, and application security administrators going forward. On the infrastructure side, ITA underwent a review of developer privileges in PaySR last year, and revised them as appropriate; ITA plans to implement a semi-annual review of the privileges of developers and server/database administrators going forward.

For FMS, the Controller’s Office conducts an annual departmental security profile review and certification. Each City department is required to review its users and roles, make changes as identified, and certify confirmation.

For SMS, systems security and user access are centralized within the MIS Division of the Department of General Services (GSD). Periodic audits are conducted with the user departments to review user access and privileges. In the past, these audits were conducted annually. However, GSD is committed to performing this review on a quarterly basis. The last audit was conducted in August 2014.

- 3) All FMS production logons are tied to specific individual users except for five production logons that are restricted to ITA for execution of batch jobs, with one of those used for applying patches to the application. The passwords for these logons are not available to users or staff. The passwords for these logons are contained in a secured profile file.
- 4) The SMS system relies on the enterprise user ID for authentication of the SMS user. As noted in previous audit findings, there is not an automated way to delete users as they leave the City or move to other departments. Due to the imminent replacement of SMS, the decision was made to not convert to the LDAP authentication process due to the costs involved. Instead, the City created a 90-day password expiration feature. In addition, GSD tries to communicate frequently with user departments, and is now conducting more frequent audits to identify changes in staff.

SMS is currently being replaced with CGI's Advantage Procurement Module, and it will be fully integrated within FMS. Once integrated, the Procurement users will follow the same login standards as FMS users do today. SMS is currently under a system freeze other than emergency changes; therefore, the major security overhaul that is required to address this issue in the current system is not warranted at this time. Improvements in the current system must rely on manual processes.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

3. Lack of Comprehensive Disaster Recovery Plan

Condition:

General computer controls require that contingencies for unforeseeable events be developed and implemented. The City has initiated a project to develop a Disaster Recovery host site location at the Switch/NAP facility in Las Vegas for its five major financial applications (FMS, PaySR, LATA, SMS and GCD).

Cause:

The City does not have a current Disaster Recovery Plan, but rather limited disaster recovery infrastructure at a cold site in Van Nuys.

Effect:

Without a detailed and tested Disaster Recovery Plan, the City is at increased risk for not being able to maintain operational continuity should an unforeseeable event occur.

Recommendation:

The Information Technology Agency should continue its present efforts to develop appropriate Disaster Recovery infrastructure and create and test a City Disaster Recovery Plan. The plan should include:

- 1) Personnel and contact information
- 2) Vendor contacts
- 3) More specific identification of systems and information to be addressed
- 4) Step-by-step procedures with assigned responsibilities for system, application and data recovery.
- 5) Date last reviewed, date last tested.

Management Response and Corrective Action:

The Information Technology Agency (ITA) manages over 100 citywide applications. The financial systems included in the scope of this audit deliver vital services to our users. Overall, ITA maintains a Departmental Emergency Plan and a Continuity of Operations Plan that are reviewed and kept with the City Emergency Management Department. ITA periodically updates personnel contact information, vendor contact information, and documentation for application recovery. Data from these major systems is backed up daily and transported offsite through a secure vendor service. As noted, the City has started a major Disaster Recovery Hotsite project located in Las Vegas, NV (SwitchNap facility). Hardware and equipment installation has already begun, with application testing to begin in May 2015. Documentation will be refined and compiled for review in future audits.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2014-003
Federal Program Title: Community Development Block Grant Program (CDBG)
Federal Catalog Number: 14.218
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Pass- Through Entity: N/A
Federal Award Number and Year: B-13-MC-06-0523-2013
City Department: Housing and Community Investment Department (HCID)
Category of Finding: Reporting

Criteria:

According to 24 CFR Section 91.520 (a) and (c), each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of the resources made available, the investment of available resources, the geographic distribution and location of investments, the families and persons assisted (including the racial and ethnic status of persons assisted), actions taken to affirmatively further fair housing, and other actions indicated in the strategic plan and the action plan. This performance report shall be submitted to HUD within 90 days after the close of the jurisdiction's program year.

Reporting is required to be submitted through the Integrated Disbursements and Information System (IDIS).

Condition:

During our testing of the system-generated report C04PR03 Activity Summary Report (PR03) as of the end of program year March 31, 2014, we noted that the progress status for eleven (11) out of the sixty (60) projects selected were either reported incorrectly or not updated properly. The project status on the PR03 and the Grant Performance Report (GPR) were inconsistent.

The following is a summary of the exceptions noted:

1. Seven (7) out of sixty (60) samples/projects have "Complete" status on the GPR but they were "Open" on PR03.
2. Four (4) out of sixty (60) samples/projects have "Open" status on the GPR but they were "Complete" on PR03.

This is a repeat finding from the prior year.

Cause:

There are two causes: (1) the PR03 report provided to the auditors was generated about six months after the GPR data entry was done. This means some data had changed since that time; and (2) some program staff who filled out GPRs did not do so correctly and indicated the project was "complete" when, in fact, invoices were still outstanding (contrary to instructions provided).

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Effect:

The HCID is submitting inconsistent reports to the program's granting agency. The impact of submitting inconsistent reports may lead to delays in reimbursement of program expenditures or other disciplinary action from the granting agency and results in noncompliance with HUD reporting requirements.

Questioned Costs:

N/A

Context:

Eleven (11) out of sixty (60) projects included in the PR03 submitted to HUD reflected an incorrect project status.

Recommendation:

We recommend that HCID implement procedures to strengthen internal controls to ensure that accurate information is entered into IDIS in a timely and proper manner.

Management Response and Corrective Action:

1. Person responsible:
Janet West, Senior Management Analyst II
Grants Administration Unit
Los Angeles Housing and Community Investment Department
Tel. No. (213) 808-8428
2. Corrective action plan:
The Grants Administration Unit will (1) generate a PR03 report at the time the GPR data is collected and saved to be provided to auditors or monitors, and (2) enhance programming for the GPR (e.g., pop-up instruction) to remind users that a project is not "complete" until all accomplishments are reported, the national objective is met, and all invoices are paid.
3. Anticipated implementation date:
June 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended June 30, 2014

Reference Number: 2014-004
Federal Program Title: Housing Opportunities for Persons with AIDS (HOPWA)
Federal Catalog Number: 14.241
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Pass-Through Entity: N/A
Federal Award Number and Year: CA-H14F005 2014 and CA-H12-0002 - 2012
City Department: Housing and Community Investment Department (HCID)
Category of Finding: Reporting

Criteria:

According to 24 CFR section 574.520 and 24 CFR part 91, HIUD-40110-C, *Annual Progress Report (APR)* and HIUD-40110-D, *Consolidated Annual Performance and Evaluation Report (CAPER)* (OMB No. 2506-0133) – Both reports are due from each grantee within 90 days after the close of its program year and are used for competitive/renewal projects and for formula programs, respectively.

Condition:

The CAPER for grant number CA-H14-F005 and the APR for grant number CA-H12-0002 were submitted late as follows;

<u>Report Name</u>			<u>Contract No.</u>	<u>Report Period</u>	<u>Due Date</u>	<u>Submission Date</u>	<u>Status</u>
HUD-40110-C	Annual	Progress	CA-H12-0002	7/1/13-6/30/14	9/30/2014	12/11/2014	72 days late
HUD-40110-D	Consolidated Annual	Performance and Evaluation Report (CAPER)	CA-H14-F005	4/1/13-3/31/14	6/29/2014	11/7/2014	131 days late

This is a repeat finding from prior year.

Cause:

The Grants Administration Unit received the HOPWA CAPER from program staff on June 30, 2014. However, the Grants Administration Unit did not get the entire CAPER (HOME, HOPWA, CDBG, ESG) submitted to HUD until later in the year. The CAPER was submitted late because of staff being newer to the department and not knowing where to get information and the fact that 2013-14 was the first year they were required to use HUD's electronic database to enter and submit the CAPER.

Regarding the APR, program data is not submitted by the project sponsor until one month after the end of the term. Additionally the project sponsor, the Housing Authority of the City of Los Angeles, often does not include tenants on the rolls until two months after the fact. Because HCID is required to track supportive services that are provided through its entitlement grant, (which is different from the PSH grant, which this APR reports on), they also have to obtain individual data from HOPWA agencies that provided the supportive services, and this took some additional time.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Effect:

Noncompliance with this requirement may lead to a reduction or discontinuance of federal assistance under these programs in future grant periods.

Questioned Costs:

N/A

Context:

Two (2) reports were tested and both were submitted after the deadline without extension.

Recommendation:

We recommend that the HCID establish procedures to submit the required form within the prescribed timeframe.

Management Response and Corrective Action:

1. Persons responsible:

Suzette Flynn, Director
Monitoring and Technical Assistance Division
Los Angeles Housing and Community Investment Department
Tel. No. (213) 808-8580

Janet West, Senior Management Analyst II
Grants Administration Unit
Los Angeles Housing and Community Investment Department
Tel. No. (213) 808-8428

2. Corrective action plan:

The CAPER requires collection of data from multiple entities in the City. The Grants Administration Unit will send out notices to all contributors that their data / reports must be submitted to the Grants Administration Unit by May 31st. The data / reports submitted will be incorporated into the overall CAPER on HUD's electronic system in time to generate the CAPER for the required 15-day public comment period prior to submission to HUD by June 30.

Regarding the APR, we have developed procedures to ensure accurate and timely submission.

3. Anticipated implementation date:

June 30, 2015 for the CAPER
July 1, 2015 for the APR due August 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Reference Number: 2014-005
Federal Program Title: Workforce Investment Act (WIA) Cluster
Federal Catalog Number: 17.258, 17.259, and 17.278
Federal Agency: U.S. Department of Labor, Employee Training Administration
Pass-Through Entity: State of California – Employment Development Department;
South Bay Workforce Investment Board, Inc.
Federal Award Number and Year: K594764-2014, K491021-2013, K282478-2012, K386300-2012,
13-WO-62 - 2013
City Department: Economic and Workforce Development Department (EWDD)
Category of Finding: Subrecipient Monitoring

Criteria:

In accordance with OMB Circular A-133 §____.400 (d) (3), A pass-through entity shall “Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

In addition, in accordance with the State of California Employment Development Department WIA Directive Number WIAD-007, Standards for Oversight and Instructions for Substate Monitoring, Section C, and Instructions for Developing Substate Oversight and Monitoring Plans states:

“The Local Board, in partnership with the Chief Elected Official (CEO), must develop plans and procedures for the monitoring of subrecipients, oversight of the One-Stop delivery system, and the oversight of vendors, in accordance with policies developed by the Local Board which are based on the Governor’s standards for Local Board oversight. The development of monitoring plans may be delegated to the WIA administrative entity by local agreement. In addition to incorporating the Local Board’s policies, the substate oversight and monitoring plans must:

- (1) Identify procedures for monitoring of all subrecipients at least once each program year.
- (2) Require that onsite review of each subrecipient is both fiscal and programmatic, consistent with the requirements stated in the Title 20 CFR Sections 667.400 (c) (1) and 667.410 (a). If the subrecipient’s administrative office/fiscal department is separately located at an inaccessible site (i.e. out-of-state or not within a reasonable commute outside of the workforce investment area), the WIA administrative entity must require that copies of the fiscal reports of sufficient nature and sample size are sent to the subrecipient’s local office or directly to the WIA administrative entity for review.
- (3) Require that monitoring of subrecipients follow a standardized review methodology that will result in written reports which record findings, any needed corrective actions, and due dates for the accomplishment of corrective actions.”

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Condition:

During our review of the WIA program, we noted that EWDD performed the required onsite programmatic monitoring reviews but not the fiscal monitoring reviews for three (3) out of the fifteen (15) subrecipients tested. Although the fiscal monitoring reviews did not occur during the year, EWDD obtained the Single Audit Reports for these subrecipients and no findings were noted.

Cause:

Staff vacancies.

Effect:

Failure of the EWDD to perform the required annual fiscal reviews results in noncompliance with WIA grant requirements and OMB Circular A-133 §____.400 (d) (3).

Questioned Costs:

N/A

Context:

The EWDD did not perform fiscal monitoring reviews for three (3) subrecipients totaling \$1,317,050 out of fifteen (15) subrecipients tested totaling \$7,164,485.

Recommendation:

We recommend that the EWDD management emphasize and strengthen adherence to their fiscal monitoring policies and procedures to ensure they are in compliance with the grant requirements over subrecipient monitoring.

Management Response and Corrective Action:

1. Person responsible:
Catherine Bondoc, Director of Financial Management Division
Economic and Workforce Development Department
Telephone No. (213) 744-9000
2. Corrective action plan:
The fiscal monitoring reviews of the three (3) subrecipients are currently on-going.
3. Anticipated implementation date:
June 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Reference Number: 2014-006
Federal Program Title: Workforce Investment Act (WIA) National Emergency Grants (NEG)
Federal Catalog Number: 17.277
Federal Agency: U.S. Department of Labor, Employment Training Administration
Pass-Through Entity: South Bay Workforce Investment Board, Inc.
Federal Award Number and Year: 11-W113 - 2011
City Department: City of Los Angeles – Economic and Workforce Development Department (EWDD)
Category of Finding: Subrecipient Monitoring

Criteria:

In accordance with OMB Circular A-133 §____.400 (d) (3), A pass-through entity shall “Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

In addition, in accordance with the State of California Employment Development Department WIA Directive Number WIAD-007, Standards for Oversight and Instructions for Substate Monitoring, Section C, and Instructions for Developing Substate Oversight and Monitoring Plans states:

“The Local Board, in partnership with the Chief Elected Official (CEO), must develop plans and procedures for the monitoring of subrecipients, oversight of the One-Stop delivery system, and the oversight of vendors, in accordance with policies developed by the Local Board which are based on the Governor’s standards for Local Board oversight. The development of monitoring plans may be delegated to the WIA administrative entity by local agreement. In addition to incorporating the Local Board’s policies, the substate oversight and monitoring plans must:

- (1) Identify procedures for monitoring of all subrecipients at least once each program year.
- (2) Require that onsite review of each subrecipient is both fiscal and programmatic, consistent with the requirements stated in the Title 20 CFR Sections 667.400 (c) (1) and 667.410 (a). If the subrecipient’s administrative office/fiscal department is separately located at an inaccessible site (i.e. out-of-state or not within a reasonable commute outside of the workforce investment area), the WIA administrative entity must require that copies of the fiscal reports of sufficient nature and sample size are sent to the subrecipient’s local office or directly to the WIA administrative entity for review.
- (3) Require that monitoring of subrecipients follow a standardized review methodology that will result in written reports which record findings, any needed corrective actions, and due dates for the accomplishment of corrective actions.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Condition:

During our review of the WIA NEG program, we noted that EWDD performed the required on-site programmatic monitoring reviews but not the fiscal monitoring reviews for three (3) out of eight (8) subrecipients tested. Although the fiscal monitoring reviews did not occur during the year, EWDD obtained the Single Audit Reports for these subrecipients and no findings were noted.

Cause:

Staff vacancies.

Effect:

Failure to perform fiscal monitoring reviews of the EWDD's subrecipients results in noncompliance with OMB Circular A-133 §____.400 (d) (3).

Questioned Costs:

N/A

Context:

The EWDD did not perform fiscal monitoring reviews for three (3) subrecipients totaling \$944,675 out of eight (8) subrecipients tested totaling \$3,323,625.

Recommendation:

We recommend that the EWDD management emphasize and strengthen adherence to their fiscal monitoring policies and procedures to ensure they are in compliance with the grant requirements over subrecipient monitoring.

Management Response and Corrective Action:

1. Person responsible:
Catherine Bondoc, Director of Financial Management Division
Economic and Workforce Development Department
Telephone No. (213) 744-9000
2. Corrective action plan:
The fiscal review for one (1) subrecipient was completed in October 2014. We have scheduled the fiscal review for two (2) of the remaining subrecipients in the current fiscal year.
3. Anticipated implementation date:
June 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Reference Number: 2014-007
Federal Program Title: Workforce Innovation Fund (WIF)
Federal Catalog Number: 17.283
Federal Agency: U.S. Department of Labor, Employment and Training Administration
Pass-Through Entity: N/A
Federal Award Number and Year: IF-23259-12-60-A-6-2012
City Department: City of Los Angeles – Economic and Workforce Development Department (EWDD)
Category of Finding: Subrecipient Monitoring

Criteria:

In accordance with OMB Circular A-133 §____.400 (d) (3), A pass-through entity shall “Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

In addition, in accordance with the State of California Employment Development Department WIA Directive Number WIAD-007, Standards for Oversight and Instructions for Substate Monitoring, Section C, and Instructions for Developing Substate Oversight and Monitoring Plans states:

“The Local Board, in partnership with the Chief Elected Official (CEO), must develop plans and procedures for the monitoring of subrecipients, oversight of the One-Stop delivery system, and the oversight of vendors, in accordance with policies developed by the Local Board which are based on the Governor’s standards for Local Board oversight. The development of monitoring plans may be delegated to the WIA administrative entity by local agreement. In addition to incorporating the Local Board’s policies, the substate oversight and monitoring plans must:

- (1) Identify procedures for monitoring of all subrecipients at least once each program year.
- (2) Require that onsite review of each subrecipient is both fiscal and programmatic, consistent with the requirements stated in the Title 20 CFR Sections 667.400 (c) (1) and 667.410 (a). If the subrecipient’s administrative office/fiscal department is separately located at an inaccessible site (i.e. out-of-state or not within a reasonable commute outside of the workforce investment area), the WIA administrative entity must require that copies of the fiscal reports of sufficient nature and sample size are sent to the subrecipient’s local office or directly to the WIA administrative entity for review.
- (3) Require that monitoring of subrecipients follow a standardized review methodology that will result in written reports which record findings, any needed corrective actions, and due dates for the accomplishment of corrective actions.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Condition:

During our review of the WIF program, we noted that EWDD performed the required on-site programmatic reviews but did not perform three (3) fiscal monitoring reviews of the four (4) subrecipients tested. Although the fiscal monitoring reviews did not occur during the year, EWDD obtained the Single Audit Reports for these subrecipients and no findings were noted.

Cause:

Staff vacancies.

Effect:

Failure to perform fiscal monitoring reviews of the EWDD's subrecipients results in noncompliance with OMB Circular A-133 §____.400 (d) (3).

Questioned Costs:

N/A

Context:

The EWDD did not perform fiscal monitoring reviews for three (3) subrecipients totaling \$1,244,542 out of four (4) subrecipients tested totaling \$2,216,737.

Recommendation:

We recommend that the EWDD management emphasize and strengthen adherence to their fiscal monitoring policies and procedures to ensure they are in compliance with the grant requirements over subrecipient monitoring.

Management Response and Corrective Action:

1. Person responsible:
Catherine Bondoc, Director of Financial Management Division
Economic and Workforce Development Department
Telephone No. (213) 744-9000
2. Corrective action plan:
The fiscal monitoring reviews for the three (3) subrecipients are currently on-going.
3. Anticipated implementation date:
June 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended June 30, 2014

Reference Number: 2014-008
Federal Program Title: Aging Cluster: Special Programs for the Aging - Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation; Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals; Title III, Part D – Disease Prevention and Health Promotion Services; Title III, Part B – Grants for Supportive Services and Senior Centers; Title III, Part C – Nutrition Services;
Federal Catalog Number: National Family Caregiver Support, Title III, Part E 93.041, 93.042, 93.043, 93.044, 93.045, 93.052 and 93.053
Federal Agency: U.S. Department of Aging
Pass-Through Entity: State of California – Department of Aging
Federal Award Number and Year: A3-1314-25 and A9-1314-25 - 2014
City Department: Department of Aging
Category of Finding: Reporting

Criteria:

In accordance with OMB Circular A-133 Subpart C, §.300, the auditee shall (c) comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The Standard Agreement between the State of California Department of Aging (CDA) and the City of Los Angeles, Department of Aging (LADOA), Article III. Payments of Budget Detail, Payment Provisions, and Closeout – Exhibit B AREA PLAN – Fiscal Year 2013-2014 (A3) states:

“A. Title IIIB, IIIC, IIID, IIIE, VII Ombudsman and VII Elder Abuse Prevention - The contractor shall submit a monthly request for funds (RFF) to the online California Aging Reporting System (CARS) Fiscal Module by the 30th of each month as follows:, or unless otherwise specified by the Department.”

Monthly Fiscal Reporting Due Dates			
Request for Funds (RFF) Month	July	Aug	Sept
RFF Due Date	5/30	6/30	7/30

Condition:

During our review of the Aging cluster program, it was noted that four (4) of the RFFs were submitted after the deadline.

The details of the late submission of the reports are as follows:

<u>Name of Report</u>	<u>Period Covered</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Status</u>
RFF-CARS	December 2013	October 30th	November 6, 2013	7 days late
RFF-CARS	January 2014	November 30th	December 26, 2013	26 days late
RFF-CARS	March 2014	January 30th	January 31, 2014	1 day late
RFF-CARS	June 2014	April 30th	May 1, 2014	1 day late

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Cause:

The LADOA had been dealing with the consequences from the implementation of the federal sequestration. Beginning with the grantor's two month delay in releasing its revised budget on June 19, 2013 and the additional budget amendment on August 23, 2013, which delayed the processes. This delay created a significant backlog for service providers to report their expenditures and invoice the department. Management prioritized invoice payment functions to ensure non-interruption of senior services.

Effect:

Failure of the LADOA to timely submit the required RFFs results in noncompliance with the CDA grant reporting requirements and OMB Circular A-133 Subpart C, §_.300 (c).

Questioned Costs:

N/A

Context:

Out of nine (9) reports tested, four (4) RFF reports were submitted after the deadline.

Recommendation:

We recommend that the LADOA strengthen its internal controls to ensure adherence with the CDA grant reporting requirements and to comply with the OMB Circular A-133 Subpart C, §_.300 (c). The LADOA is to report the required information on the RFF on a timely basis for each reporting period..

Management Response and Corrective Action:

1. Person responsible:
Laura Trejo, General Manager
Department of Aging
Telephone No. (213) 482-7251
2. Corrective action plan:
The LADOA is reviewing its procedures and will implement a set of internal monthly milestone due dates and reviews by the Department's Fiscal Director to ensure that the grantor's submission deadlines are met.
3. Anticipated implementation date:
April 1, 2015

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Reference Number: 2014 - 009
Federal Program Title: Temporary Assistance for Needy Families
Federal Catalog Number: 93.558
Federal Agency: U.S. Department of Health and Human Services
Pass- Through Entity: County of Los Angeles, Department of Community and Senior Services (CSS)
Federal Award Number and Year: IA1102 – 2012 and IA0114 -2014
City Department: Economic Workforce Development Department (EWDD)
Category of Finding: Eligibility

Criteria:

In accordance with OMB Circular A-133 Subpart C, §.300, the auditee shall (c) comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The City entered into a contractual agreement (#IA-0114) with the County of Los Angeles (County) to administer the “Los Angeles County Youth Jobs Program (LA Youth Jobs)”. Exhibit J of said agreement defines “Participants” as:

- a. An individual who has been determined to be eligible to participate in the Los Angeles County Youth Jobs Program. Participation shall be deemed to commence on the first day, following determination of eligibility, on which the individual began receiving training and subsidized employment.

The FY2013-14/2014-15 Los Angeles County Youth Jobs Technical Assistance Guide states:

- A. “General Eligibility Requirements for Phase 1; April – June 2014:

Interested youth must meet all of the criteria noted below:

1. Be a resident of Los Angeles County
2. Be between the ages of fourteen (14) and twenty-one (21) years old
3. Have valid Right-to-Work required documentation as follows:
 - a. A current Employment Eligibility Verification Form I-9. The form must be double sided - instructions are provided in the forms and file content section. I-9 form link: <http://uscis.gov/sites/default/files/formi-9.pdf>
4. Have a valid work permit for youth under eighteen (18) years of age before the start date of the work experience. The work permit must remain valid until the last day of the work experience.
5. Be a youth residing in a household that at time of eligibility determination receives CalWORKs benefits.

Condition:

During our review of the TANF program, we noted nine (9) out of the fifty-one (51) participants tested who were not in compliance with the documentation requirements on the general eligibility determination requirements as follows:

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

- a. Five (5) youths did not have a valid work permit prior to starting their work experience in the TANF Los Angeles County Youth Program. Work permits were issued subsequent to the start of the work experience;
- b. The Statement of Intent to Employ a Minor for four (4) youths were not signed by the participant's guardian, parent, caregiver or foster parent prior to issuing a work permit. However, a work permit was issued prior to the start date of their work experience.

Cause:

EWDD had a constricted time frame and minimal staffing available to implement the TANF program and navigate through the grantor's complex regulations and procedures.

Effect:

Failure of EWDD to comply with the required documentation requirements on the eligibility determination results in noncompliance with the County of LA CSS eligibility requirements and OMB Circular A-133 Subpart C, §_.300 (c).

Questioned Costs:

Estimated questioned costs were de minimis based on the number of days individuals worked without a valid work permit.

Context:

Nine (9) out of the fifty-one (51) participants tested were not in compliance with the eligibility determination requirements.

Recommendation:

We recommend that the EWDD strengthen its current practices with respect to the determination and documentation of participant's eligibility in compliance with the program requirements.

Management Response and Corrective Action

1. Person responsible:
Jaime Pacheco-Orozco, Senior Management Analyst II
Economic Workforce Development Department
Telephone No. (213) 744-7124
2. Corrective action plan:
It is EWDD's practice to continuously improve on its processes to ensure its efficiency, compliance, and service delivery. Maintaining and communicating clear procedures and policies is essential to ensuring program operations alignment with program requirements. Where necessary, procedures will be updated, program review process augmented, and additional staff resources allocated to support review and monitoring of the program.
3. Anticipated implementation date:
Analysis for improvement will begin immediately with a review of program requirements and documentation, and the design of orientation for program operators. Implementation will take effect in April 2015 as we initiate implementation of the 2015 Phase 1 program.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings
For the Fiscal Year Ended June 30, 2014

FEDERAL AWARD FINDINGS:

Finding #13-1 Noncompliance with Activities Allowed and Unallowed Requirement - Material Noncompliance

CFDA # 14.218 - Community Development Block Grants/Entitlement Grants (CDBG)

Condition:

Based on communications from HUD, HUD has determined that the City has not provided sufficient documentation demonstrating that the Community Based Development Organization (CBDO) activities met the requirements as eligible projects under in 24 CFR 570.204(a). In addition, HUD has also determined that certain CBDOs are not eligible due to those organizations do not maintain their board membership composition in accordance with the qualification under 24 CFR 570.504(c). HUD has informed the City to discontinue funding those organizations as CBDOs as of May 23, 2013.

Recommendation:

HCID should continue its effort to resolve the CBDO ineligible activities with HUD and take appropriate and timely corrective action.

Current Year Management Response:

During the development of the Program Year 40 Consolidated Plan, HCIDLA informed the Mayor and the City Council of HUD's finding related to the interpretation of the Community Based Development Organizations (CBDO) regulations. As a result, the City discontinued using CBDO's as it did in the prior years. The City fully complied with HUD'S regulations on CBDOs that effective PY40, that began April 1, 2014, the City's Consolidated Plan will no longer fund CBDOs as it did in the past.

Current Status as of June 30, 2014:

Implemented

Implementation Date:

April 1, 2014

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Finding #13-2 Noncompliance with Earmarking Requirement – Noncompliance and Significant Deficiency

CFDA # 14.218 and 14.253 - Community Development Block Grants/Entitlement Grants (CDBG) and ARRA - Community Development Block Grants/Entitlement Grants (CDBG-R)

Condition:

Based on the financial records of the City's CDBG Program Year 38 for the period April 1, 2012 through March 31, 2013, the actual expenditures for public service activities exceeded the 15 percent cap as defined in the criteria above by \$927,452. The City is not in compliance with the earmarking requirement.

Recommendation:

HCID should closely monitor the receipts of program income in its determination of funding limits for public services as defined in 24 CFR 570.201(e).

Current Year Management Response:

The City committed to adhering to the 15% public services cap effective PY39 that began April 1, 2013. Through written correspondences, the City proposed to HUD to under-obligate the PY39 funds to offset PY38 over-obligation of \$927,452. At the close of the City's PY38, HUD notified all grantees that it will no longer allow the practice under obligation current program year funds to resolve cap overages of the previous program year and instead require repayment with nonfederal funds. The City appealed HUD's decision indicating that overage occurred prior to the change in procedures. As of June 30, 2014, the City has not received a response to the appeal.

Current Status as of June 30, 2014:

Implemented

Implementation Date:

N/A

Finding #13-3 Noncompliance with Reporting Requirement – Material Noncompliance and Material Weakness

CFDA # 14.218 (Cluster with 14.253) - Community Development Block Grants/Entitlement Grants (CDBG)

Condition:

The City is subject to the Transparency Act reporting requirement for the contracts under the CDBG. However, the City did not complete the required information by using FSRS for sub-awards to subrecipients and subcontractors.

This is a repeat finding from fiscal year 2012.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Recommendation:

HCID should dedicate resources to ensure compliance with the reporting requirement under the Transparency Act.

Current Year Management Response:

The City has reported CDBG contracts and awards in the FFATA Sub- award Reporting System for the prior and current years.

Current Status as of June 30, 2014:

Implemented

Implementation Date:

June 30, 2014

Finding #13-4 Noncompliance with Reporting Requirement – Noncompliance and Significant Deficiency

CFDA # 14.218 (Cluster with CFDA No. 14.253) - Community Development Block Grant (CDBG)

Condition:

Since the City has an approved consolidated plan for program year 2012-2013, it is required to submit an annual performance report to HUD for the program year through the Integrated Disbursement and Information System (IDIS). During the testing of the system-generated C04PR03 Activity Summary Report (PR03) for as of the end of program year on March 31, 2013, it was noted that the progress status for 22 out of 40 projects selected were either reported incorrectly or not updated properly. Based on the review of the Grantee Performance Report (GPR) for each sampled project, the status of these projects should have been updated in the PR03; however, they were either not updated or incorrectly reported. The following is a summary of the exceptions noted:

1. Four out of 40 samples/projects had "Completed" status on the GPR/PR02 but they were not updated on the PR03 (blank or no progress).
2. One out of 40 samples/projects had an "Open" status on the GPR/PR02 but they were not updated on the PR03 (blank or no progress).
3. GPR for 17 projects were not submitted.

This is a repeat finding from prior year.

Recommendation:

HCID should implement procedures to strengthen internal controls to ensure that activity performance data be obtained and inputted into the IDIS in a timely and proper manner.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Current Year Management Response:

The City made progress in its goal of obtaining performance data or project status for each of the more than 500 CDBG activities being carried out by various departments. The prior system programming issue with HUD'S IDIS (which would not allow updates to some activities unless "placeholder" data was entered) was corrected in September 2013.

Current Status as of June 30, 2014:

Not implemented. See current year finding no. 2014-003.

Implementation Date:

June 30, 2015

Finding #13-5 Noncompliance with Reporting Requirement – Noncompliance and Significant Deficiency

CFDA # 14.218 (Cluster with CFDA No. 14.253) - Community Development Block Grant (CDBG)

Condition:

As a prime recipient of financial assistance from HUD, for each grant over \$200,000 that the City receives that involves housing rehabilitation, housing construction, or other public construction, the City is required to submit to HUD an annual performance report titled "60002 - Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons" (Section 3 Summary Report). During the review of the annual Section 3 Summary Report for program year 2012-13, it was noted that the City did not identify and report all of its contractors and subrecipients. The City reported only the Section 3 data collected from Los Angeles Housing Department (LAHD) for construction projects.

This is a repeat finding from prior year.

Recommendation:

HCID should strengthen its internal controls to ensure the accuracy and completeness of the Section 3 Summary Report submitted to HUD.

Current Year Management Response:

On January 9, 2014, HUD issued a letter to recipients of HUD Financial Assistance Covered by Section 3 of the HUD Act of 1968 regarding the temporary shutdown of Section 3 Summary Reporting System to address unanticipated technical problems. On July 25, 2014, HUD issued a follow-up letter indicating that it is still working on the technical problem and the re-launch of the reporting system will be communicated to recipients by email.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Current Status as of June 30, 2014

HUD issued a third notice on December 14, 2014 that HUD's Section 3 Summary Reporting System continues to be unavailable for the submission of 2013 and 2014 reports.

Implementation Date:

Upon availability of the Section 3 Summary Reporting System, the applicable reports will be submitted.

Finding #13-6 Noncompliance with Reporting Requirement – Noncompliance and Significant Deficiency

CFDA # 14.241 - Housing Opportunity for Persons with AIDS (HOPWA)

Condition:

The CAPER for the grant no. CA-H13-F005 ended on March 31, 2013 was submitted on November 4, 2013. The Annual Progress Report for grant no. CA-H08-0003 ended on October 31, 2012 was submitted on February 14, 2013; and was missing supporting documents for financial data reported in Part 3 of the Annual Progress Report. The Annual Progress Report for grant no. CA-H12-0002 ended on June 30, 2013 has not been submitted as of the date of this report, March 21, 2014.

Recommendation:

HCID should strengthen its internal controls to ensure timely submission of the Annual Progress Report and CAPER and maintain supporting documents for financial data reported.

Current Year Management Response:

The CAPER and Annual Progress Report for the program year 2013-14 were submitted with the required supporting documents on November 7, 2014, which was due June 30, 2014.

Current Status as of June 30, 2014:

Not implemented. See current year finding 2014-004.

Implementation Date:

June 30, 2015 for the CAPER; July 1, 2015 for the APR due August 30, 2015

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Finding #13-7 Noncompliance with Subrecipient Monitoring Requirement – Noncompliance and Significant Deficiency

CFDA # 14.241 - Housing Opportunity for Persons with AIDS (HOPWA)

Condition:

The City only performed fiscal monitoring of subrecipients; however on-site program monitoring was not performed during the fiscal year 2012-13. The fiscal monitoring of subrecipients was also reviewed and noted that one (1) subrecipient's single audit report has a finding relating to the HOPWA grant. However, no management decision or communication was issued by the City.

Recommendation:

HCID should perform subrecipient monitoring in accordance with the federal program requirement; and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Current Year Management Response:

HCID revised its policies and procedures to ensure onsite program monitoring in accordance with federal requirements. Onsite monitoring visits were completed for the program year 2013-14.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

June 30, 2014

Finding #13-8 Noncompliance with Special Tests and Provisions – Noncompliance and Significant Deficiency

CFDA # 14.241 - Housing Opportunity for Persons with AIDS (HOPWA)

Condition:

HCID did not perform continuing inspections of the properties post tenant's occupancy to ensure that the properties continuously meet the housing quality standards listed in 24 CFR sections 574.310(b)(1)-(2) during the fiscal year 2012-13.

Recommendation:

HCID should perform the required inspections to ensure that properties meet the housing quality standards listed in 24 CFR sections 574.310(b) (1)-(2).

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Current Year Management Response:

Subrecipients are required to maintain documentation of inspections conducted on properties to ensure that they meet federal housing quality standards. HCIDLA staff reviews habitability reports and ensures that they are current and are conducted on an annual basis.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

June 30, 2014

Finding #13-9 Noncompliance with Allowable Costs/Cost Principles Requirement - Noncompliance and Significant Deficiency

CFDA # 16.710 - Public Safety Partnership and Community Policing Grants

Condition:

Thirty-seven (37) samples were selected for testing the post-9/11 military status. One (1) employee's military status could not be verified. This employee was employed for the period December 3, 2012 through September 24, 2013. The employee's salary and fringe benefits were funded by the CHP grant during the period.

Recommendation:

LAPD should verify military status prior to hiring officers to be funded by the CHP grant.

Current Year Management Response:

A few days after submitting our response to the audit findings in March, we were able to obtain documentation of military status of the questioned employee, which was immediately submitted to the Controller's Office. However, the documentation may not have made it to the final letter sent to the auditors.

A copy of the DD Form 214 for Officer Alejandro Rasch confirming his status as military veteran was provided to the Controller's Office. No correction on the SF-425 financial report form is necessary.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

March 26, 2014

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Finding #13-10 Noncompliance with Subrecipient Monitoring Requirement – Noncompliance

CFDA # 16.803 - ARRA – Recovery Act – Edward Byrne Memorial JAG Program/Grants to States and Territories

Condition:

In the procedures performed over the subrecipient monitoring requirement of the program, supporting documentation for demonstrating compliance with subrecipient monitoring requirement are not available for examination. Under this program, only the grant agreement ZH09-01-7250 has subrecipient expenditures. There is only one subrecipient under this agreement. According to the LAPD's personnel, the subrecipient is required to submit quarterly reports to LAPD for review, but LAPD was unable to provide us with copies of the quarterly reports received and evidence of review of those reports.

Recommendation:

LAPD should maintain copies of the required reports, supporting documentation, and evidence of review.

Current Year Management Response:

Guidelines on subrecipient monitoring were drafted in May 2014 and were distributed to all Grants staff. A site visit was also conducted in June 2014. Copies of the guidelines and site visit report were submitted.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

May 22, 2014

Finding #13-11 Noncompliance with Eligibility Requirement – Noncompliance and Significant Deficiency

CFDA # 17.259 (Cluster with CFDA Nos. 17.258, 17.260, and 17.278) - Workforce Investment Act (WIA) Youth Activities

Condition:

Sixty (60) participants were selected for eligibility testing. One (1) participant's file does not have supporting documentation to verify compliance with the Selective Service registration requirements under the Military Selective Service Act. Five (5) participants are registered with Selective Service after enrollment date. The program costs associated with these participants totaled \$1,200.

This is a repeat finding from prior year.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Recommendation:

EWDD should provide training to the program staff on eligibility requirements and procedures for verifying and documenting participant eligibility.

Current Year Management Response:

The Year 15 Annual Plan PY 2014-15 contains a new policy addressing Selective Service Registration. The directive specifies registration requirements, procedures, acceptable documentation, and determination of "knowing and willful" failure to register versus unintended non-registration. Requirements for Selective Service registration also is a component of the Customer Flow Policy of the PY 14-15 Annual Plan. The current State CalJOBS database utilized for WIA enrollment and services requires verification of Selective Service registration for males 18 and older before the applicant can proceed with enrollment into the program.

In November 2013, the WIA youth system convened a day-long system-wide training that further reiterated Selective Service Registration requirements as part of participant eligibility training.

The US Department of Labor Federal Project Officer, Employment and Training Administration, Region 6, advised that while it is true that ETA guidance concerning registration for selective service (Training and Employment Guidance Letter 11-11) states that males should be registered for selective service before being enrolled into WIA, when ETA finds instances of where registration for selective service was not conducted prior to enrollment, the remedy required is to have the participants registered, or documented to not be required to register. DOL also looks at the State and/or local policy concerning whether or not the lack of registration was willful or not. In such a case DOL would not question or disallow the costs unless the participants were determined to not, in fact be able to register to correct the problem (either not willing to register, or unable to do so because it was past their 26th birthday, for example). The same thing is true for any eligibility issue – in situations where the participants' eligibility was not properly established prior to enrollment, DOL requires that eligibility be established after the fact, and only if it cannot be established, are costs then questioned.

DOL added that with regard to selective services, this is especially true because, most often, the ones who have not properly registered are the very ones most in need of service --disadvantaged youth who are high-school drop-outs or court-involved, children of homeless or incarcerated parents, children of immigrants, or ex-offenders who have been disconnected from the system. The point is to ensure that they do come into compliance with the Selective Service requirements, because without it such individuals cannot get financial aid, or receive other important services.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

April 2014

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Finding #13-12 Noncompliance with Eligibility Requirement – Noncompliance and Significant Deficiency

CFDA # 17.283 - Workforce Innovation Fund (WIF)

Condition:

Fifty-one (51) participants were selected for eligibility testing. Two (2) participants are registered with Selective Service after enrollment date. The program costs associated with these participants totaled \$40.

Recommendation:

EWDD should provide training to the program staff on eligibility requirement and procedures for verifying and documenting participant eligibility.

Current Year Management Response:

EWDD implemented a new Selective Service Registration policy that requires workforce agency staff to inquire about Selective Service status at point of participation (initial point of contact) for adult males between the ages of 18 and 26. In addition, for males who turn 18 while participating in WIA-funded services, the policy will require that workforce agency staff confirm the male's registration with Selective Service within thirty days of his birthday. EWDD also provided training to WIF program staff on November 15, 2013 to further explain the policy and reduce or eliminate this issue in the future.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

April 2014

Finding #13-13 Noncompliance with Period of Availability Requirement - Noncompliance and Significant Deficiency

CFDA # 97.067 - Homeland Security Grant Program (HSGP)

Condition:

Forty-five (45) samples/invoices were selected for allowable costs/cost principles and period of availability testing. Thirteen (13) invoices were not paid within 90 days after the end of the grant period. The grant period ended on December 14, 2012. These invoices were undergoing review and approval process. Payments were made between March 28, 2013 and June 2, 2013. In addition, the City did not obtain an extension of the liquidation deadline from CalEMA.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Recommendation:

City's program personnel should expedite its payment review and approval process. Also, the City should request for an extension of the 90-day liquidation deadline from CalEMA.

Current Year Management Response:

The Mayor's office has successfully implemented the revised HSPS policies and procedures. In addition, the Mayor's office has also reduced the time frame for the execution of contracts and amendments as a result of the hiring of additional contract specialists. In accordance with new Policies and Procedures, the Mayor's office has requested necessary extensions to the 90 days liquidation period. All approved extensions are on file. FEMA notified the Mayor's Office on February 3, 2015 the audit finding was resolved/closed.

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

July 1, 2013

Finding #13-14 Noncompliance with Period of Availability Requirement –Noncompliance and Significant Deficiency

CFDA # 97.111 - Regional Catastrophic Preparedness Grant Program (RCPGP)

Condition:

Sixteen (16) samples/invoices were selected for allowable costs/cost principles and period of availability testing. One (1) invoice was not paid within 90 days after the end of the grant period. The grant period ended on January 31, 2013. The invoice was undergoing review and approval process. Payment was made on August 30, 2013. In addition, the City did not obtain an extension of the liquidation deadline from CalEMA.

Recommendation:

The Mayor's Office program personnel should expedite its payment review and approval process. Also, the City should request for an extension of the 90-day liquidation deadline from CalEMA.

Current Year Management Response:

The Mayor's office has successfully implemented the revised HSPS policies and procedures. In addition, the Mayor's office has also reduced the time frame for the execution of contracts and amendments as a result of the hiring of additional contract specialists. In accordance with new Policies and Procedures, the Mayor's office has requested necessary extensions to the 90 days liquidation period. All approved extensions are on file. FEMA notified the Mayor's Office on February 3, 2015 the audit finding was resolved/closed.

CITY OF LOS ANGELES, CALIFORNIA
Schedule of Prior Year's Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Current Status as of June 30, 2014:

Implemented.

Implementation Date:

July 1, 2013