



CITY OF ANAHEIM, CALIFORNIA

Single Audit Reports

Year ended June 30, 2012

CITY OF ANAHEIM, CALIFORNIA

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the City Council
City of Anaheim, California:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anaheim, California (the City) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. Our report references the dissolution of the Redevelopment Agency of the City effective February 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The



results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, the audit committee, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 19, 2012



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and
on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the City Council
City of Anaheim, California:

Compliance

We have audited the City of Anaheim, California's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2012-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Davis-Bacon provisions that are applicable to its ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Anaheim, California complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-02 to 2012-06.



Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 a combination of deficiencies, in internal control over compliance, such that there is 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 2012-01 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 2012-02 and 2012-06 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 19, 2012. 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 basic 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 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, the City Council, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 15, 2013

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal grantor/program title	CFDA number	Program or grant number	Expenditures
Department of Housing and Urban Development:			
Community Development Block Grant-Entitlement and Small Cities Cluster:			
Direct Programs:			
Community Development Block Grant/Entitlement Grant	14.218	B-10-MC-060501	\$ 3,537,821
Community Development Block Grant/Entitlement Grant	14.218	B-11-MC-060501	1,519,695
Total Community Development Block Grant – Entitlement and Small Cities Cluster			<u>5,057,516</u>
Direct Programs:			
Emergency Shelter Grant (ESG)	14.231	S-10-MC-06-0501	9,500
Emergency Shelter Grant (ESG)	14.231	E-11-MC-06-0501	218,190
			<u>227,690</u>
Direct Program:			
ARRA 2009 – Homelessness Prevention & Rapid Re-Housing Program	14.257	S-09-MY-06-0501	733,681
Direct Programs:			
Home Investment Partnerships Program (HOME)	14.239	M-09-MC060502	110,701
Home Investment Partnerships Program (HOME)	14.239	M-10-MC060502	95,426
Home Investment Partnerships Program (HOME)	14.239	M-11-MC060502	408,454
			<u>614,581</u>
Direct Programs:			
Community Development Block Grant – Section 108 Guaranteed Loan (Capital Projects)	14.248	B-09-MC-06-0501	14,050,000
Community Development Block Grant – Section 108 Guaranteed Loan (West Gate Project)	14.248	B-02-MC-06-0501	8,314,000
			<u>22,364,000</u>
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	CA104VO/CA104AF	71,975,488
Section 8 Mainstream Vouchers	14.879	CA104DV	2,436,107
Total Housing Voucher Cluster			<u>74,411,595</u>
Total Department of Housing and Urban Development			<u>103,409,063</u>
Department of the Interior:			
Direct Programs:			
Water Reclamation and Reuse Program- Ball Road Recycled/Non Potable Water Project Feasibility Study	15.504	R11AC35302	59,809
Water Conservation Field Services Program - Water Use Efficiency Master Planning Grant	15.530	R11AP35300	13,984
California Water Security and Environmental Enhancement - Centralized Weather-Based Controllers and Rotary Nozzles Project	15.533	R10AP35278	100,000
			<u>173,793</u>
Department of Labor:			
Passed through CA Employment Development Department:			
Workforce Investment Act – Adult Program	17.258	K282469	855,439
Workforce Investment Act – Adult Program	17.258	K178654	532,420
			<u>1,387,859</u>
Passed through South Bay Workforce Investment Board			
Workforce Investment Act- Dislocated Workers - South Bay WIB National Emergency Grant	17.260	11-W126	5,213
Passed through CA Employment Development Department:			
Workforce Investment Act – Youth Activities	17.259	K178654	767,566
Workforce Investment Act – Youth Activities	17.259	K282469	272,705
			<u>1,040,271</u>
Passed through CA Employment Development Department:			
Workforce Investment Act – Dislocated Workers	17.260	K282469	753,362
Workforce Investment Act – Dislocated Workers	17.260	K178654	110,242
Workforce Investment Act – Rapid Response	17.260	K282469	229,761
Workforce Investment Act – Rapid Response	17.260	K178654	32,615
Workforce Investment Act – National Emergency Grant	17.260	K074135	20,992
			<u>1,146,972</u>
Total Workforce Investment Act Cluster			<u>3,580,315</u>
Total Department of Labor			<u>3,580,315</u>
Department of Health and Human Services:			
Passed through Orange County:			
Temporary Assistance for Needy Families - Community Services (CalWorks)	93.558	WAM0711	76,703
Passed through Orange County Health Care Agency:			
Public Health Emergency Preparedness	93.069	CDC-RFA-TP11-1101cont11	9,333

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal grantor/program title	CFDA number	Program or grant number	Expenditures
Direct Program:			
Low Income Home Energy Assistance Program (LI-HEAP)	93.568	09-1355	\$ 774,123
Total Department of Health and Human Services			<u>860,159</u>
Department of Environmental Protection Agency:			
Direct Programs:			
Brownsfields Assessment and Cleanup Cooperative Agreements - Atchison Assessment	66.818	BF-99957501-0	22,042
ARRA - Brownsfields Assessment and Cleanup Cooperative Agreements - Ross Park Remediation	66.818	2B-00T31501-0	47,415
			<u>69,457</u>
Passed through State Water Resources Control Board:			
Capitalization Grants for Clean Water State Revolving Fund - Reconstruction at Mountain View, Orangewood Avenue, Simmons	66.458	CS-060001-10	250,830
Capitalization Grants for Clean Water State Revolving Funds - Reconstruction at Ball Road, Beach Boulevard, Orange Avenue and Dale Avenue	66.458	CS-060001-10	438,338
Capitalization Grants for Clean Water State Revolving Funds - Reconstruction at Broadway from Brookhurst Street to Gilbert Street	66.458	CS-060001-10	208,296
Capitalization Grants for Clean Water State Revolving Funds - Reconstruction at Ward Terrace and Underhill	66.458	CS-060001-10	249,917
			<u>1,147,381</u>
Total Department of Environmental Protection Agency			<u>1,216,838</u>
Department of Energy:			
Direct Programs:			
ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis- SGIG Project	81.122	DE-OE0000257	560,724
ARRA Energy Efficiency and Conservation Block Grant (EECBG)	81.128	DE-EE0000861	975,056
Passed through California Center for Sustainable Energy:			
SunShot Initiative: Rooftop Solar Challenge to Induce Market Transformation	81.117	DE-EE0005696	2,624
Total Department of Energy			<u>1,538,404</u>
Institute of Museum and Library Services:			
Passed through CA State Library:			
Grants to States - LSTA California's Family Place Library Program	45.310	40-7993	15,000
Total Institute of Museum and Library Services			<u>15,000</u>
Department of Transportation:			
Highway Planning & Construction Cluster:			
Federal Transportation Improvement Program:			
Passed through Orange County Transportation Authority:			
ARRA Highway Planning and Construction- Olive Street (Vermont Avenue to Santa Ana Street)	20.205	ESPL-5055 (159)	207
ARRA Highway Planning and Construction- La Palma Avenue (Clementine Street to Anaheim Boulevard)	20.205	ESPL-5055 (160)	3,081
			<u>3,288</u>
Passed through CA Department of Transportation:			
Highway Planning and Construction- Federal Demonstration Program (Gene Autry Highway Improvements)	20.205	TEA21-1176	9,524,600
Safe, Accountable, Flexible, Efficient Transportation Equity Act - A Legacy for Users:			
Passed through CA Department of Transportation:			
Highway Planning and Construction- Federal Intelligent Transportation Systems	20.205	HPLUL-5055 (153)	125,522
Highway Safety Improvement Program:			
Passed through CA Department of Transportation:			
Highway Planning and Construction- Ball Road from Knott Avenue to Brookhurst Street	20.205	HSIPL-5055 (152)	1,044
Federal Transit Administration:			
Passed through Orange County Transportation Authority:			
Highway Planning and Construction- Santa Ana Canyon Multi-Use Trail Project	20.205	5307-FTA-LA/LB UZA	500,974
Passed through California Department of Parks and Recreation:			
Recreational Trails Program- Lincoln Avenue Multi-Use Trail Staging Area	20.219	RT-30-022	20,880
Total Highway Planning and Construction Cluster			<u>10,176,308</u>
Passed through CA Office of Traffic Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated- Avoid DUI campaign	20.608	AL20656	122,659
Passed through CA Office of Traffic Safety:			
State and Community Highway Safety	20.600	PT20256	188,719
State and Community Highway Safety	20.600	PT1135	46,032
State and Community Highway Safety	20.600	AL1178	90,604
Total Highway Safety Cluster			<u>325,355</u>
Passed through California Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP 2361101, Cal EMA ID #059-02000	7,194
Total Department of Transportation			<u>10,631,516</u>

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal grantor/program title	CFDA number	Program or grant number	Expenditures
Department of Commerce:			
Direct Programs:			
Economic Development Cluster- Economic Adjustment Assistance	11.307	07-79-06423	\$ 3,399,029
Passed through Orange County Health Care Agency: Public Health Emergency Response to H1N1	11.206	11206 S/L	19,751
Total Department of Commerce			<u>3,418,780</u>
Department of Justice:			
Direct Programs:			
Equitable Sharing Program- Asset Forfeiture	16.922	16.CA0300100	2,836,862
Services for Trafficking Victims- OVC FY 10 Enhanced Collaborative Model to Combat Human Trafficking	16.320	2010-VT-BX-K012	172,422
Passed through Orange County Sheriff's Department: Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	2009-DJ-BX-0033	24,605
Total Department of Justice			<u>3,033,889</u>
Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2009-FV-00785	480,000
Passed through California Emergency Management Agency Homeland Security Grant Program- Urban Areas Security Initiative (UASI)	97.067	DHS-10-GPD-067-000-01	4,044,471
Passed through City of Santa Ana: Homeland Security Grant Program- UASI	97.067	2009-SS-T9-0019	513,352
Homeland Security Grant Program - UASI	97.067	2011-SF-0077	30,551
Passed through County of Orange:			
Homeland Security Grant Program -FY 2009	97.067	12-26571, Cal EMA ID#059-00000	961
Homeland Security Grant Program- FY 2009	97.067	2009-0019, Cal EMA ID#059-00000	99,932
Homeland Security Grant Program -FY 2009	97.067	2009-0019, Cal EMA ID#059-00000	157,601
Passed through County of Orange:			
Homeland Security Grant Program- Metropolitan Medical Response System	97.067	2009-0019, Cal EMA ID #059-00000	86,874
Homeland Security Grant Program- Metropolitan Medical Response System	97.067	2010-0085, Cal EMA ID #059-00000	66,536
Emergency Management Performance Grant	97.042	2011-0048, Cal EMA ID #059-00000	77,044
Total Department of Homeland Security			<u>5,557,322</u>
Department of Treasury:			
Direct Program – Equitable Sharing Program- Asset Forfeiture	21.000	21.CA0300100	385,086
Total Department of Treasury			<u>385,086</u>
Total Expenditures of Federal Awards			<u>\$ 133,820,165</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of Anaheim, California (the City). The Schedule includes federal awards received directly from federal agencies as well as federal awards passed through other agencies. The City's reporting entity is defined in note 1 to the City's financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position of the City.

(2) Basis of Accounting

The Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City's financial statements.

(3) Relationship to Financial Statements and Federal Financial Reports

Information reported in the Schedule agrees with the amounts reported in both the financial statements and related federal financial reports for the major federal programs. Revenues from federal award programs are reported in the financial statements as operating and capital grant revenues in the government-wide financial statements and intergovernmental revenues in the fund statements, except for the Housing and Urban Development (HUD) Section 108 guaranteed loan, which is reported as other financing sources – issuance of debt and long-term debt payable.

(4) Amounts Provided to Subrecipients

Included in the Schedule are the following amounts passed through to subrecipients:

Community Development Block Grant – Entitlement and Small Cities Cluster (CFDA No. 14.218)	\$	423,067
Emergency Shelter Grant (CFDA No. 14.231)		210,000
Workforce Investment Act Cluster (CFDA Nos. 17.258, 17.259, and 17.260)		866,041
Homeland Security Grant Program – Urban Areas Security Initiative (CFDA No. 97.067)		1,626,245
State and Community Highway Safety – Grant Number AL1178 (CFDA No. 20.600)		70,417
Minimum Penalties for Repeat Offenders for Driving While Intoxicated- Avoid DUI Campaign (CFDA 20.608)		107,101
	\$	<u>3,302,871</u>

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(5) Guaranteed Loan Outstanding

At June 30, 2012, the City and Successor Agency (the Anaheim Redevelopment Agency was terminated effective February 1, 2012) had a total outstanding guaranteed loan balance of \$22,364,000 with the U.S. Department of Housing and Urban Development under their Section 108 Loan Guarantee Program (CFDA No. 14.248). Below is a breakdown of debt service payments and outstanding balances of respective loans for the fiscal year 2012.

	Outstanding balance, July 1, 2011 a	Addition b	Principal payments c	Interest payments d	Total payments e = (c + d)	Outstanding balance, June 30, 2012 f = (a + b - c)
HUD 108 Guaranteed Loans:						
Successor Agency:						
Westgate (\$4M)	\$ 2,966,000	\$ —	\$ 197,000	\$ 150,346	\$ 347,346	\$ 2,769,000
Westgate (\$6M)	5,745,000	—	200,000	318,780	518,780	5,545,000
Capital projects (\$7M)	<u>7,000,000</u>	<u>—</u>	<u>325,680</u>	<u>225,064</u>	<u>550,744</u>	<u>6,674,320</u>
Subtotal	15,711,000	—	722,680	694,190	1,416,870	14,988,320
City:						
Capital projects (\$8M)	<u>7,655,000</u>	<u>—</u>	<u>279,320</u>	<u>257,446</u>	<u>536,766</u>	<u>7,375,680</u>
Total	<u>\$ 23,366,000</u>	<u>\$ —</u>	<u>\$ 1,002,000</u>	<u>\$ 951,636</u>	<u>\$ 1,953,636</u>	<u>\$ 22,364,000</u>

CITY OF ANAHEIM, CALIFORNIA
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of auditors' report issued on basic financial statements:
- Governmental activities – **Unqualified.**
 - Business-type activities – **Unqualified.**
 - Each major fund – **Unqualified.**
 - Aggregate remaining funds – **Unqualified.**
- (b) Internal control findings over financial reporting:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered material weaknesses: **None reported.**
- (c) Noncompliance that is material to the financial statements: **No.**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **2012-01**
 - Significant deficiencies identified that are not considered to be material weaknesses: **2012-02 to 2012-06**
- (e) Type of auditors' report issued on compliance for major programs:

Program name	CFDA No.	Opinion
Economic Development Cluster	11.307	Unqualified
ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program	14.257	Unqualified
Housing Voucher Cluster	14.871 and 14.879	Unqualified
Highway Planning and Construction Cluster	20.205 and 20.219	Unqualified
ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	Qualified
ARRA Energy Efficiency and Conservation Block Grant	81.128	Unqualified

- (f) Any audit findings that are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

CITY OF ANAHEIM, CALIFORNIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(h) Major Programs:

- Department of Commerce – Economic Development Cluster (CFDA No 11.307)
- Department of Housing and Urban Development – ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program (CFDA No. 14.257)
- Department of Housing and Urban Development – Housing Voucher Cluster (CFDA Nos. 14.871 and 14.879)
- Department of Transportation – Highway Planning and Construction Cluster (CFDA No. 20.205 and 20.219)
- Department of Energy – ARRA Electricity Delivery and Energy Reliability, Research, Development and Analysis (CFDA No. 81.122)
- Department of Energy – ARRA Energy Efficiency and Conservation Block Grant (CFDA No. 81.128)

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Relating to Federal Awards as Defined in Section 0.510(a) of OMB Circular A-133

Finding 2012-01 Davis Bacon

Federal Program Information

<i>Federal Catalog Number:</i>	81.122
<i>Federal Program Name:</i>	ARRA Electric Delivery and Energy Reliability, Research, Development and Analysis
<i>Federal Agency:</i>	Department of Energy
<i>Pass Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-OE0000257; 2010

Specific Requirement

Title 29: Labor

PART 5-LABOR STANDARDS PROVISIONS APPLICABLE TO CONTRACTS COVERING FEDERALLY FINANCED AND ASSISTED CONSTRUCTION (ALSO LABOR STANDARDS PROVISIONS APPLICABLE TO NONCONSTRUCTION CONTRACTS SUBJECT TO THE CONTRACT WORK HOURS AND SAFETY STANDARDS ACT)

CITY OF ANAHEIM, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Subpart A-Davis-Bacon and Related Acts Provisions and Procedures

(3) Payrolls and basic records. (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project). Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).

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- (B) Each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:
- (1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;
 - (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
 - (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.
- (C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the “Statement of Compliance” required by paragraph (a)(3)(ii)(B) of this section.
- (D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.
- (iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

Condition and Context

Management is required to obtain, on a weekly basis, certified payrolls and statements of compliance from each contractor for each week in which contracted work is performed under the Davis-Bacon Act. In our sample of 11 submissions, which was 100% of the population we noted that management did not obtain certified payrolls or statements of compliance for any contractors used for any submission.

Questioned Costs

\$178,336 (represents the total amount paid to vendors that did not comply with the Davis Bacon requirement)

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Cause and Effect

Adequate controls do not appear to be in place to ensure that management complies with the provisions under the Davis-Bacon Act. As a result, compliance statements and certified payrolls may not be obtained and reviewed for compliance with the Davis-Bacon Act, as required.

Recommendation

We recommend that management strengthen their policies and procedures to obtain and review compliance statements and certified payrolls from each contractor and subcontractor and ensure compliance with the provisions under the Davis-Bacon Act.

Views of Responsible Officials and Planned Corrective Actions

The contracts covered by the above condition did include Davis-Bacon Act compliance requirements, and were interpreted by the Project Manager as being met.

New procedures were created and implemented in January 2013 over the compliance requirements of the Davis-Bacon Act. Contractor scope of work documents contain modified language clarifying the weekly timesheet requirements. The Electric System Designer/Engineer assigned to a particular project relating to the Smart Grid Investment Grant receives weekly emails or other time stamped documentation containing the certified weekly payroll for that contractor. These compliance statements and certified payrolls are reviewed for compliance by the appropriate Electric System Designer/Engineer as evidenced by email or signature. Original copies are kept in the particular project's folder.

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Finding 2012-02 Cash Management

Federal Program Information

<i>Federal Catalog Number:</i>	81.122
<i>Federal Program Name:</i>	ARRA Electric Delivery and Energy Reliability, Research, Development and Analysis
<i>Federal Agency:</i>	Department of Energy
<i>Pass Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-OE0000257; 2010

Criteria

TITLE 2 – GRANTS AND AGREEMENTS, CHAPTER II – OFFICE OF MANAGEMENT AND BUDGET CIRCULARS AND GUIDANCE, PART 215_UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON PROFIT ORGANIZATIONS (OMB CIRCULAR A 110) Subpart C – Post Award Requirements, Sec. 215.22 Payment.

- (a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury State CMIA agreements or default procedures codified at 31 CFR part 205.
- (e) Reimbursement is the preferred method when the requirements in Sec. 215.12(b) cannot be met. Federal awarding agencies may also use this method on any construction agreement, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal assistance constitutes a minor portion of the project. (1) When the reimbursement method is used, the Federal awarding agency shall make payment within 30 days after receipt of the billing, unless the billing is improper. (2) Recipients shall be authorized to submit request for reimbursement at least monthly when electronic funds transfers are not used.

Condition and Context

In our procedures performed over cash management, we inquired with management as to their cash payment method and noted that they request cash using the reimbursement method. We therefore selected all 26 items included in reimbursement requests submitted to verify that management has appropriate controls in place to ensure that the request met compliance requirements. In our review, we noted management does not have controls in place to ensure that the requests are accurate and comply with the grant requirements. As a result of a lack of appropriate controls, we noted \$1,956 in requests that were submitted for reimbursement on two separate requests and 2 items totaling \$84,045 that were requested for reimbursement prior to the payment of the corresponding invoice.

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Questioned Costs

\$1,956 (amount of duplicate invoice submitted)

Cause and Effect

The City does not appear to have controls in place to ensure that reimbursement requests are accurate.

Recommendation

We recommend that the City implement controls over the preparation and review of all reimbursement requests to ensure that the amounts requested are accurate.

Views of Responsible Officials and Planned Corrective Actions

New procedures were created and implemented in January 2013 over the preparation and review of all reimbursement requests to ensure the amounts requested for reimbursement are accurate. To ensure accuracy, the Utilities Financial Services Manager now reviews and approves by signature, all reimbursement requests prior to submission. In addition, all reimbursement requests are not made until the invoice is paid and expenses are reviewed against the general ledger prior to submission to ensure payment to the vendor has been made. This review is evidenced by the Utilities Financial Services Manager's email or signature on the general ledger supporting documentation.

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Finding 2012-03 – Procurement Suspension and Debarment – Procurement Records

Federal Program Information

<i>Federal Catalog Number:</i>	81.122
<i>Federal Program Name:</i>	ARRA Electric Delivery and Energy Reliability, Research, Development and Analysis
<i>Federal Agency:</i>	Department of Energy
<i>Pass Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-OE0000257; 2010

Criteria

Title 2: Grants and Agreements PART 176-AWARD TERMS FOR ASSISTANCE AGREEMENTS THAT INCLUDE FUNDS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009, PUBLIC LAW 111-5 Subpart B-Buy American Requirement Under Section 1605 of the American Recovery and Reinvestment Act of 2009

Section 1605 of the Recovery Act prohibits use of recovery funds for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The law requires that this prohibition be applied in a manner consistent with U.S. obligations under international agreements, and it provides for waiver under three circumstances:

- (a) Iron, steel, or relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality;
- (b) Inclusion of iron, steel, or manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent; or
- (c) Applying the domestic preference would be inconsistent with the public interest

Condition and Context

In our procedures performed over the City's procurement transactions, we selected a sample of 3 contracts, which is 100% of the population, and requested documentation to support its compliance with the Buy America requirement. We noted the City was unable to provide adequate documentation regarding compliance with this requirement.

Questioned Costs

\$178,336 (represents the total amount paid to vendors that did not comply with the Buy America requirement)

CITY OF ANAHEIM, CALIFORNIA

Schedule of Findings and Questioned Costs

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Cause and Effect

The City does not appear to have a sufficient procurement policy or adequate records retention policies and procedures to ensure that appropriate required documentation is retained as required for federal audit purposes.

Recommendation

The City should enhance its policies and procedures to ensure that required procurement documentation is obtained and retained for the required retention period to comply with federal requirements.

Views of Responsible Officials and Planned Corrective Actions

New procedures were created and implemented in January 2013 to address the Buy America compliance requirements. Project material is purchased through normal Department and City procedures, but additional language and certification is required for materials specific to the Smart Grid Investment Grant projects. The material is received, with the appropriate certification, into the Utility's warehouse and staged in a separate area and marked for use only for specific Smart Grid Investment Grant projects. In addition, major materials purchased before the implementation of this procedure have been retroactively certified as Buy America compliant. The Buy America requirement is also included in the scope of work language for contractor provided material. The same certification documentation is required and provided by the contractor for all material provided by the contractor.

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Finding 2012-04 Procurement and Suspension and Debarment – Suspension and Debarment Certifications

Federal Program Information

Federal Catalog Number: 81.122
Federal Program Name: ARRA Electric Delivery and Energy Reliability, Research, Development and Analysis
Federal Agency: Department of Energy
Pass Through Entity: N/A
Federal Award Number and Award Year: DE-OE0000257; 2010

Criteria

Title 2: Grants and Agreements PART 180-OMB GUIDELINES TO AGENCIES ON GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT) Subpart C-Responsibilities of Participants Regarding Transactions Doing Business With Other Persons

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person

Condition and Context

In our procedures performed over the City's procurement transactions, we selected a sample of expenditures that exceeded the small purchase threshold of \$25,000 and requested the City's documentation to support that it either a) obtained a signed certification from the vendor of its nonsuspension or debarment, b) verification of a clause or condition related to that covered person or c) reviewed the epls.gov website and verified that the vendor had not been suspended or debarred. The City was unable to provide documentation to support that it had performed any of the procedures noted above for any of the 6 of the vendors that were sampled, which represented 100% of the population. However, we independently reviewed the vendor names from our sample on the epls.gov website and did not find any of the vendors listed as suspended or debarred.

Questioned Costs

None

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Cause and Effect

The City does not appear to have policies and procedures to ensure that required certifications or verification of EPLS.gov is performed and that required documentation is retained as required for federal audit purposes.

Recommendation

The City should enhance its policies and procedures to ensure that required suspension and debarment checks are performed or certifications obtained and this documentation is retained for the required retention period to comply with Federal requirements.

Views of Responsible Officials and Planned Corrective Actions

New procedures were created and implemented in January 2013 over the Suspension and Debarment Certifications requirement. The Electric System Designer/Engineer is required to search the EPLS database for the lowest responsive contractor for received bids prior to issuing a notice to proceed. The procedure requires that a screenshot is printed showing that there are no suspensions, etc. for the contractor and then signed by the Project Manager. If the contractor is listed in the EPLS database, then the contractor is notified of their EPLS status and the next lowest responsive contractor is chosen for the work. The same procedure is performed for the next contractor. In addition, language is included in the scope of work documentation stating that if the contractor appears in the EPLS database, their bids will be deemed nonresponsive.

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Finding 2012-05 – Reporting – Financial Status Reports

Federal Program Information

<i>Federal Catalog Number:</i>	81.122
<i>Federal Program Name:</i>	ARRA Electric Delivery and Energy Reliability, Research, Development and Analysis
<i>Federal Agency:</i>	Department of Energy
<i>Pass Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	DE-OE0000257; 2010

Criteria

DEPARTMENT OF ENERGY [AWARD NO. DE-OE000027] ATTACHMENT B, FEDERAL ASSISTANCE REPORTING CHECKLIST AND INSTRUCTIONS

The Recovery Act requires grantees to submit quarterly reports. It also requires grantees to have systems and internal controls in place that allow them to separately track and report on Recovery Act funds. These reporting requirements are outlined in section 1512 of the Recovery Act.

The recipient must report the cumulative jobs created/retained data specified in this section on a quarterly basis beginning with the first quarter of the effective date of the award. The report is due within 30 days after the end of the reporting period.

The recipient is required to report Build Metrics on a quarterly basis and Impact metrics on a semiannual basis following the award date. Baseline data will be provided as specified within the Metrics and Benefit Reporting Plan. The reports are due 30 days after the end of the reporting period.

Condition and Context

In our procedures performed over the City's reporting requirements, we selected a sample of ARRA 1512, cumulative jobs created/retained, and the semiannual Build Metrics reports. In our samples selected, we noted the following errors or omissions:

- In our sample of all 4 quarterly ARRA 1512 reports, we noted 2 reports where the cumulative expenditures reported were not supported by amounts in the general ledger.
- In our sample of all semiannual reports for the Build Metrics reports, we noted that the reports were not submitted within the 30 day required time period. We note that the reports were submitted 7 and 2 days after the deadline, respectively.
- In our sample of the ARRA 1512 and cumulative jobs created/retained report, we noted that the reports were not reviewed by someone other than the preparer.

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Schedule of Findings and Questioned Costs
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Questioned Costs

None

Cause and Effect

The City does not appear to have adequate controls in place to ensure that the reports are properly reviewed and submitted accurately and timely.

Recommendation

We recommend that the City implement controls over the preparation and submission of all reports to ensure accuracy and timely reporting.

Views of Responsible Officials and Planned Corrective Actions

New procedures were created and implemented in January 2013 to ensure adequate controls are in place for all reports that are submitted to the Department of Energy. The process states that either the Project Manager or Utilities Financial Services Manager will review all reports prior to submission in order to ensure report accuracy and timeliness. The Project Manager or Utilities Financial Services Manager will verify by email or signature that the reports appear to be accurate prior to submission.

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Finding 2012-06 Reporting

Federal Program Information

<i>Federal Catalog Number:</i>	14.257
<i>Federal Program Name:</i>	ARRA 2009 – Homelessness Prevention and Rapid Re-Housing Program
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	S-09-MY-06-0501; 2010

Criteria

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT [DOCKET NO. FR-5307-N-01] NOTICE OF ALLOCATIONS, APPLICATION PROCEDURES, AND REQUIREMENTS FOR HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM GRANTEE UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009. SECTION VI. REPORTING REQUIREMENTS, ITEM C PERFORMANCE REPORT

The Recovery Act requires grantees to submit quarterly reports. It also requires grantees to have systems and internal controls in place that allow them to separately track and report on Recovery Act funds. These reporting requirements are outlined in section 1512 of the Recovery Act.

A quarterly performance report submitted in a format prescribed by HUD. Grantees will report on many of the same items as in the Initial Performance Report, including HPRP funds expended by activity type, the number of unduplicated individuals and families served, the number of new jobs created, the number of jobs retained, challenges to effective program operation and other data items. Quarterly Performance Reports are due within 10 days of the end of each quarter for the period of program operation, and will include current quarter and cumulative data.

Condition and Context

In our procedures performed over the City's reporting requirements, we selected a sample of all 4 quarterly performance reports (ESNAPS). We noted one report where the total number of households served did not properly sum from the detail included with the report. In addition, that report that was submitted 3 days after the deadline.

Questioned Costs

None noted

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Cause and Effect

The City does not appear to have adequate controls in place to ensure that the performance reports required for the specific grant are submitted accurately and timely.

Recommendation

We recommend that the City implement controls over the preparation and submission of all reports to ensure accuracy and timely reporting.

Views of Responsible Officials and Planned Corrective Actions

The program funded by this grant ended in April 2012 and the grant has expired. Community Development Department will enhance the controls that are in place for grant performance reports in general by ensuring the supervisor of the report preparer review the report before it is submitted to verify the report is being submitted on time and is accurate. This review will be evidenced by email or signature that will be maintained in the grant's file.