



**CITY OF OMAHA, NEBRASKA**

OMB Circular A-133 Single Audit Report

Year ended December 31, 2010

(With Independent Auditors' Reports Thereon)



# CITY OF OMAHA, NEBRASKA

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The City of Omaha's audited financial statements as of and for the year ended December 31, 2010 are separately attached hereto.



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

The Honorable Mayor and Members  
of the City Council  
City of Omaha, Nebraska:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Omaha, Nebraska (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the City's basic financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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.

**Internal Control over Financial Reporting**

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

A 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 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. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. This deficiency is described in the accompanying schedule of findings and questioned costs (Finding #10-01). A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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*.

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 them.

This report is intended solely for the information and use of the Mayor, members of the City Council, management, and 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**

Omaha, Nebraska  
June 30, 2011



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222 South 15th Street  
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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor and Members  
of the City Council  
City of Omaha, Nebraska:

**Compliance**

We have audited the compliance of the City of Omaha, Nebraska (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. 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.

The City's basic financial statements include the operations of a discretely presented component unit. Our audit, described below, did not include the operations of the discretely presented component unit because that discretely presented component unit engaged other auditors to perform an 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 Finding #10-02 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Special Tests and Provisions: Housing Quality Standards that are applicable to its HOME Investment Partnership Program (CFDA 14.239). 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, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

## **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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding #10-02 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City'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 Mayor, members of the City Council, management, 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

Omaha, Nebraska  
September 27, 2011, except as to paragraph 10,  
which is as of June 30, 2011

**CITY OF OMAHA, NEBRASKA**  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2010

Schedule



Federal grantor/pass-through grantor/program title	Grant number	CFDA number	Expenditures
U.S. Department of Homeland Security:			
Direct programs:			
Assistance to Firefighters Grant	Various	97.044	\$ 173,737
National Explosives Detection Canine Team Program	HSTS0208HCAN438	97.072	150,500
			<u>324,237</u>
Passed through the State of Nebraska Emergency Management Agency:			
Citizens Corps	Various	97.053	34,115
Interoperable Emergency Communications	2007-GS-H7-0050	97.055	279,002
Federal Disaster Declaration 1878	Declaration 1878	97.036	296,865
			<u>609,982</u>
Homeland Security Grant Program	Various	97.067	1,192,650
Total U.S. Department of Homeland Security			<u>2,126,869</u>
U.S. Department of Health and Human Services:			
Passed through the State of Nebraska Department of Health and Human Services:			
National Bioterrorism Hospital Preparedness Program	U3REP090231/174-01-00	93.889	364,498
Passed through Douglas County of the State of Nebraska Center for Disease Control:			
Centers for Disease Control and Prevention-Affordable Care Act-Communities Putting Prevention to Work	1U58DP002394-01	93.520	39,230
Total U.S. Department of Health and Human Services			<u>403,728</u>
U.S. Department of Housing and Urban Development:			
Direct programs:			
Community Development Block Grants/Entitlement Grants	Various	14.218	6,022,449
Community Development Block Grants/State's Program	Various	14.228	3,323,127
Emergency Shelter Grants Program	Various	14.231	237,763
Shelter Plus Care	NE-26-C501001	14.238	94,886
HOME Investment Partnership Program	Various	14.239	2,992,952
ARRA – Community Development Block Grant – Recovery	B-09-MY-31-0002	14.253	525,875
ARRA – Homelessness Prevention and Rapid Re-Housing Program	S-09-MY-31-0001	14.257	722,591
Fair Housing Assistance Program	FF/207/208/209/K00/017008	14.401	92,510
Lead Based Paint Hazard Control	Various	14.900	2,327,645
Total U.S. Department of Housing and Urban Development			<u>16,339,798</u>
U.S. Department of Interior:			
Passed through the State of Nebraska Historical Society:			
Historic Preservation Fund Grants-in-Aid	N/A	15.904	18,816
U.S. Department of Justice:			
Direct programs:			
Juvenile Justice & Delinquency Prevention	2006-JL-FX-K073	16.540	151,452
Juvenile Justice & Delinquency Prevention	2009-JL-FX-K034	16.541	144,896
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	2005-WE-AX-0035	16.590	345,102
Community Capacity Development Office	Various	16.595	137,046
Public Safety Partnership and Community	2010-GP-BX-0048	16.609	18,145
Public Safety Partnership and Community Secure Our Schools (COPS)	Various	16.710	145,196
Gang Resistance Education and Training (G.R.E.A.T.)	2008-JV-FX-0025	16.737	14,026
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	Various	16.738	738,878
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program	2009-SB-B9-1369	16.804	298,139
			<u>1,992,880</u>
Passed through Douglas County of the State of Nebraska Domestic Violence Coordinating Council (DVCC):			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	08-VAWA-702	16.589	33,518
Passed through the State of Nebraska Commission on Law:			
Enforcement and Criminal Justice:			
Juvenile Accountability Block Grant	Various	16.523	111,472
Juvenile Justice & Delinquency Prevention	Various	16.540	32,577
Project Safe Neighborhoods	Various	16.609	61,697
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	Various	16.738	220,192
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program	09-DX-9010	16.803	113,731
			<u>539,669</u>
Total U.S. Department of Justice			<u>2,566,067</u>
U.S. Department of Transportation:			
Direct programs:			
Highway Planning and Construction	Various	20.205	437,555
Passed through the State of Nebraska Department of Highway Safety:			
Highway Planning and Construction	N/A	20.205	65,146
State and Community Highway Safety	Various	20.600	226,317
Alcohol Impaired Driving Countermeasures Incentive Grants	Various	20.601	95,147
			<u>386,610</u>
Total U.S. Department of Transportation			<u>824,165</u>

**CITY OF OMAHA, NEBRASKA**  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2010

Schedule



Federal grantor/pass-through grantor/program title	Grant number	CFDA number	Expenditures
U.S. Environmental Protection Agency: Passed through the State of Nebraska Department of Environmental Quality:			
ARRA – State Diesel Grant Program	N/A	66.040	\$ <u>33,236</u>
Passed through the State of Nebraska Department of Roads			
ARRA – Capitalization Grants for Clean Water State Revolving Funds	N/A	66.458	<u>6,955,375</u>
Total US. Environmental Protection Agency			<u>6,988,611</u>
U.S. Department of Education: Direct program:			
Fund for the Improvement of Education	U215K080281	84.215	<u>94,804</u>
U.S. Department of Energy: Direct program:			
ARRA – Energy Efficiency and Conservation Block Grant Program	Various	81.128	<u>1,030,895</u>
Executive Office of the President: Direct program:			
High Intensity Drug Trafficking Areas Program	Various	95.001	<u>313,428</u>
Total expenditures of federal awards			<u>\$ 30,707,181</u>

See accompanying independent auditors' reports and notes to schedule of expenditures of federal awards.

**CITY OF OMAHA, NEBRASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

**(1) Reporting Entity**

The reporting entity for the schedule of expenditures of federal awards (SEFA) includes the City of Omaha, Nebraska (the City) and its blended component units. The discretely presented component unit, Metropolitan Entertainment and Convention Authority (MECA), is not included.

**(2) Basis of Accounting**

Amounts reported in the SEFA are on the accrual basis, while the amounts reported on federal financial reports are primarily on a cash basis.

**(3) Outstanding Loan Principal Balances**

The following is a list of the outstanding principal balances of Community Development Block Grant and related program loans due at December 31, 2010:

Community Development Block Grant	\$ 339,848
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The following is the outstanding principal balance of the HOME Investment Partnership Program at December 31, 2010:

HOME Investment Partnership Program	\$ 1,068,767
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Current year loans of \$0 are included in the SEFA.

The following is a list of outstanding principal balances of capitalization grants for state revolving funds and related program loans at December 31, 2010:

Zorinsky Project*	\$ 201,668
Capitalization Grants for Clean Water State Revolving Funds*	<u>6,649,992</u>
Total	<u><u>\$ 6,851,660</u></u>

\* The City has no continuing compliance requirements for these loans outstanding and is presented for informational purposes only.

**CITY OF OMAHA, NEBRASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

**(4) Subrecipients**

Of the federal expenditures presented in the SEFA, the City provided federal awards to subrecipients as follows:

<u>Program title</u>	<u>Grant number</u>	<u>CFDA number</u>	<u>Amount provided to subrecipients</u>
Community Development Block Grants	Various	14.218	\$ 199,841
HOME Investment Partnership Program	Various	14.239	1,676,379
Juvenile Justice & Delinquency Prevention	2009-JL-FX-0034	16.541	125,750
Juvenile Justice & Delinquency Prevention	2006-JL-FX-K073	16.540	88,441
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	2005-WE-AX-0035	16.590	253,660
Public Safety Partnership and Community Project Safe Neighborhoods	2010-GP-BX-0048	16.609	8,500
Secure Our Schools (COPS)	2009-CK-WX-0711	16.710	142,370
Weed & Seed	Various	16.595	35,062
Edward Byrne Memorial Justice Assistance Grant (JAG) program	Various	16.738	356,101
ARRA – Energy Efficiency and Conservation Block Grant Program	DE-EE0000666	81.128	<u>266,500</u>
			\$ <u><u>3,152,604</u></u>

**CITY OF OMAHA, NEBRASKA**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: *Unqualified opinions*
- (b) Material weaknesses in internal control that were disclosed by the audit of the basic financial statements: *No*
- Significant deficiencies in internal control that were disclosed which were not material weaknesses: *Yes*
- (c) Noncompliance that is material to the basic financial statements: *No*
- (d) Material weaknesses in internal control over major programs: *Yes*
- Significant deficiencies in internal control over major programs that were not material weaknesses: *None reported*
- (e) The type of report issued on compliance for major programs: *Qualified opinion for HOME Investment Partnerships Program (CFDA 14.239); Unqualified opinions on remaining*
- (f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: *Yes*
- (g) Major programs:
- *HOME Investment Partnership Program (14.239)*
  - *Capitalization Grants for Clean Water State Revolving Funds (Sewer Separation) Program (66.458)*
  - *Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program to States and Local Territories (16.803)*
  - *Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (16.804)*
  - *Community Development Block Grants/State's (State-Administered Small Cities) Program (14.228)*
  - *Energy Efficiency and Conservation Block Grant (EECBG) Program (81.128)*
  - *Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)*
- (h) Dollar threshold used to distinguish between Type A and Type B programs: *\$963,474*
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: *No*

**CITY OF OMAHA, NEBRASKA**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

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

***Finding #10-01***

**Criteria:** The City is responsible for preparing the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133.

**Condition:** The information included in the SEFA was not appropriately reviewed for accuracy and contained numerous errors.

**Questioned Costs:** None.

**Context:** The SEFA was corrected for understatements totaling \$215,925 and overstatements totaling \$603,332.

**Cause:** Internal controls over preparation of the SEFA are ineffective.

**Effect:** CFDA 16.738 was understated by \$3,479, CFDA 16.737 was understated by \$1,372, CFDA 97.067 was understated by \$43,979, CFDA 95.001 was understated by \$18, CFDA 14.216 was understated by \$1,322, and CFDA 97.044 was understated for \$165,754 for a total understatement of \$215,925. CFDA 97.036 was overstated for \$603,332. The SEFA was subsequently corrected.

**Recommendation:** We recommend that the City assign responsibility to review the SEFA after preparation.

**Management Response:** During 2009, the City initiated the centralization and standardization of grant processing within the City of Omaha Finance Department. An additional Grant Accountant was hired to assist in monitoring and reporting of grant funds. Progress was made in 2009 and 2010. The City will continue refining the processes in 2011 by reviewing and closing the Grant Special Revenue Funds on a monthly basis. In 2010, the final SEFA schedule was reviewed and signed off by the Grant Accountants, Accounting Manager, and Comptroller prior to forwarding to the auditors, and the City will continue this process in 2011.

**Responsible Official:** Al Herink or Pam Spaccarotella

(3) **Findings and Questioned Costs Relating to Federal Awards**

***Finding #10-02***

**Programs:** HOME Investment Partnership Program (14.239).

**Federal Grantor Agency:** U.S. Department of Housing & Urban Development.

**Criteria:** The City is required to ensure that on-site inspections to determine compliance with property standards are performed for HOME-assisted rental housing during the period of affordability. In addition, the on-site inspection must also verify the information submitted by the owners. These inspections are to be performed every three years for projects with 1 to 4 units, every two years for projects with 5 to 25 units, and every year for projects with 26 or greater units.

**CITY OF OMAHA, NEBRASKA**  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2010

**Condition:** The City did not perform on-site inspections within the required time period.

**Questioned Costs:** None.

**Context:** The City did not have on-site inspections performed timely for two out of eight tested projects. There were forty one inspections performed in 2010.

**Cause:** The City had internal controls in place; however, due to employee turnover, the control was not performed.

**Effect:** Noncompliance with property standards could go undetected.

**Recommendation:** The City needs to ensure that, during employee turnover, key controls are monitored and assignments reassigned.

**Management Response:** The City will no longer rely on the City of Council Bluffs to conduct inspections of properties but will assume responsibility for inspecting all properties per the HOME regulations.

The property at 5728 South 147th Street passed inspection on February 9, 2011. This fell within the six month inspection requirement period, but not within the program year. To ensure that this does not happen in the future, management will inform appropriate staff of homes needing inspection on the first working day of each month.

**Responsible Official:** Al Herink or Pam Spaccarotella