



**CITY OF LONG BEACH, CALIFORNIA**

Single Audit Report

Year Ended September 30, 2023

(With Independent Auditors' Report Thereon)

**CITY OF LONG BEACH, CALIFORNIA**

Single Audit Report

Year ended September 30, 2023

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## **Independent Auditors' 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 the Uniform Guidance**

The Honorable Mayor and City Council  
City of Long Beach, California:

### **Report on Compliance for Each Major Federal Program**

#### *Qualified and Unmodified Opinions*

We have audited the City of Long Beach, California's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Other Matter – Federal Expenditures Not Included in the Compliance Audit*

The City's financial statements include the operations of the Long Beach Transportation Company, the discretely presented component unit of the City, which expended \$19,479,637 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended September 30, 2023. Our compliance audit, described in the Qualified and Unmodified Opinions section of our report, does not include the operations of the discretely presented component unit because Long Beach Transportation Company engaged other auditors to perform an audit of compliance.

#### *Qualified Opinion on the HOME Investment Partnerships Program; ALN 14.239*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the HOME Investment Partnerships Program for the year ended September 30, 2023.

#### *Unmodified Opinion on Each of the Other Major Federal Programs.*

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

#### *Basis for Qualified and Unmodified Opinions*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on the HOME Investment Partnerships Program; ALN 14.239*

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding eligibility for the HOME Investment Partnerships Program as described in finding number 2023-002. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, and 2023-010.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

### **Report on Internal Control Over Compliance**

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

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 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. 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 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-008, 2023-009, 2023-010, and 2023-011 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 2, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 the Uniform Guidance and is not a required part of the 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 basic financial statements themselves, and other additional procedures in accordance with GAAS. 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.

*KPMG LLP*

Los Angeles, California  
November 6, 2024



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550 South Hope Street  
Los Angeles, CA 90071-2629

**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 City Council  
City of Long Beach, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 2, 2024. Our report includes a reference to other auditors who audited the financial statements of the Long Beach Public Transportation Company (the Company), which is the City's only discretely presented component unit, as described in our report on the City's basic financial statements. 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 upon separately by those auditors.

**Report on 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) as a basis for designing our audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic 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 financial statement. 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 Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. 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 the response.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KPMG LLP*

Los Angeles, California  
May 2, 2024



CITY OF LONG BEACH, CALIFORNIA  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2023

Federal grantor/pass-through agency/program title	Assistance listing number (ALN)	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<b>Department of Agriculture:</b>				
Passed through the State of California, Department of Public Health:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Non-Cash Value	\$ 12,788,092	—
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-10256	4,806,111	—
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)			17,594,203	—
Passed through the State of California, Department of Education:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	19-81908V	207,866	—
Total Child Nutrition Cluster			207,866	—
Passed through the State of California, Department of Public Health:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-10327	1,034,986	—
Total SNAP Cluster			1,034,986	—
Total Department of Agriculture			18,837,055	—
<b>Department of Housing and Urban Development:</b>				
Direct:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0522	494,689	—
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0522	649,759	—
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0522	1,314,830	—
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-06-0522	172	—
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0522	1,530,650	—
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0522	2,283,855	—
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-06-0522	3,831,175	—
Total CDBG Entitlement Grants Cluster (14.218)			10,105,130	—
Passed through the State of California, Department of Housing and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-CDBG-HK-0051	645,239	—
Direct:				
COVID-19 Emergency Solutions Grant Program	14.231	E-20-MW-06-0522	2,628,820	1,683,607
Emergency Solutions Grant Program	14.231	E-20-MC-06-0522	115,872	—
Emergency Solutions Grant Program	14.231	E-21-MC-06-0522	311,218	—
Emergency Solutions Grant Program	14.231	E-22-MC-06-0522	270,907	139,153
Total Emergency Solutions Grant Program (14.231)			3,326,817	1,822,760
Home Investment Partnerships Program	14.239	PROGRAM INCOME	1,097,357	—
Home Investment Partnerships Program	14.239	M-20-MC-06-0518	599,922	—
Home Investment Partnerships Program	14.239	M-21-MP-06-0518	932,018	—
Home Investment Partnerships Program	14.239	M-21-MC-06-0518	78,761,566	—
Home Investment Partnerships Program	14.239	M-22-MC-06-0518	239,741	—
Total Home Investment Partnerships Program (14.239)			81,630,604	—
Passed through the City of Los Angeles:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	C-139518	399,477	—
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	57,714	—
Total Housing Opportunities for Persons with AIDS (14.241)			457,191	—
Direct:				
Neighborhood Stabilization Program	14.256	B-09-CN-CA-0045	(6,429)	—
Neighborhood Stabilization Program	14.256	B-11-MN-06-0511	6,429	—
Total Neighborhood Stabilization Program (14.256)			—	—
Continuum of Care Program	14.267	CA9999U9D062108	6,807,505	4,882,067
Continuum of Care Program	14.267	CA9999U9D062108	2,492,987	1,777,133
Total Continuum of Care Program (14.267)			9,300,492	6,659,200
Housing Vouchers Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA068VO	109,576,432	—
COVID-19 Section 8 Housing Choice Vouchers	14.871	CA068VO	9,897,470	—
Total Housing Vouchers Cluster (14.871)			119,473,902	—
Passed through the City of Los Angeles:				
Jobs-Plus Initiative	14.895	CA002FJP000719	87,063	—
Direct:				
Family Self-Sufficiency Program	14.896	FSS22CA4487	89,300	—
Family Self-Sufficiency Program	14.896	FSS23CA5429	344,211	—
Total Family Self-Sufficiency Program (14.896)			433,511	—
Lead Hazard Reduction Grant Program	14.900	CALHB0591-19	795,149	—
Lead Hazard Reduction Demonstration Grant Program	14.905	CALHD0477-22	790,056	—
Total Department of Housing and Urban Development			227,045,154	8,481,960

CITY OF LONG BEACH, CALIFORNIA  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2023

Federal grantor/pass-through agency/program title	Assistance listing number (ALN)	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of the Interior:				
Direct:				
Title XVI Water Reclamation and Reuse	15.504	R15AC00086	\$ 850,412	—
Title XVI Water Reclamation and Reuse – El Dorado Duck Pond	15.504	R21AP10296	(3,418)	—
Title XVI Water Reclamation and Reuse – Alamitos Tank 19 & 20 Conversion	15.504	R21AP10297	549,955	—
Total Title XVI Water Reclamation and Reuse (15.504)			1,396,949	—
Reclamation States Emergency Drought Relief – El Dorado Duck Pond	15.514	R20AP00109	200,094	—
Reclamation States Emergency Drought Relief – Alamitos 9A & 14	15.514	R21AP10354	1,082,844	—
Total Reclamation States Emergency Drought Relief (15.514)			1,282,938	—
Water Conservation Field Services (WCFS)	15.530	R22AP00372	14,069	—
Applied Science Grants	15.557	R23AP00112	112,593	—
Passed through the State of California, Natural Resources Agency:				
Outdoor Recreation Acquisition, Development and Planning	15.916	C8964002	310,615	—
Total Department of the Interior			3,117,164	—
Department of Justice:				
Passed through the State of California, Office of Emergency Services:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2019-R2-CX-0020	151,117	—
Direct:				
DOJ Mental Health Grant 2022 (LEMHWA)	16.710	15JCOOPS-22-GG-04092-LEMH	3,968	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01231-JAGX	212,696	—
Passed through the State of California, Office of Emergency Services:				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ21177240	50,739	—
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ22187240	16,009	—
Total Paul Coverdell Forensic Sciences Improvement Grant Program (16.742)			66,748	—
Direct:				
Smart Prosecution Initiative	16.825	2019-YX-BX-0001	353,473	118,748
Body Worn Camera Policy and Implementation	16.835	15PBJA-21-GG-04414-BWCX	252,470	—
Comprehensive Opioid, Stimulant, and Substance Abuse Site-Based Program	16.838	15PBJA-21-GG-04	197,989	94,500
Total Department of Justice			1,238,461	213,248
Department of Labor:				
WIOA Cluster:				
Passed through the State of California, Employment Development Department:				
WIOA Adult Program	17.258	AA411013	161,493	—
WIOA Adult Program	17.258	AA011103	2,950	—
WIOA Adult Program	17.258	AA311013	174,159	—
WIOA Adult Program	17.258	AA311013	1,381,087	—
WIOA Adult Program	17.258	AA211013	109,074	—
Passed through the City of Pasadena:				
WIOA Adult Program	17.258	AA332181955A6	29,453	—
Passed through the City of Los Angeles:				
WIOA Adult Program	17.258	C-141843	555,838	—
WIOA Adult Program	17.258	C-144309	192,013	—
WIOA Adult Program	17.258	C-144308	3,890	—
Total WIOA Adult Program (17.258)			2,609,957	—
Passed through the State of California, Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Youth Activities	17.259	C-141833	(406)	—
Passed through the State of California, Employment Development Department:				
WIOA Youth Activities	17.259	AA011013	1,231	—
WIOA Youth Activities	17.259	AA211013	458,592	—
WIOA Youth Activities	17.259	AA311013	1,821,669	76,234
Total WIOA Youth Activities (17.259)			2,281,086	76,234
Passed through the State of California, Employment Development Department:				
WIOA Dislocated Worker Formula Grants	17.278	AA111013	10,521	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	135,016	—
WIOA Dislocated Worker Formula Grants	17.278	AA411013	77,818	—
WIOA Dislocated Worker Formula Grants	17.278	AA211013	162,546	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	1,023,148	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	6,598	—
WIOA Dislocated Worker Formula Grants	17.278	AA411013	8,758	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	71,230	—
WIOA Dislocated Worker Formula Grants	17.278	AA211013	(609)	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	(1,221)	—
WIOA Dislocated Worker Formula Grants	17.278	AA411013	18,662	—
WIOA Dislocated Worker Formula Grants	17.278	AA311013	242,120	—
Passed through the State of California, Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Dislocated Worker Formula Grants	17.278	C-141843	320,315	—
WIOA Dislocated Worker Formula Grants	17.278	C-144309	76,658	—
WIOA Dislocated Worker Formula Grants	17.278	C-144308	1,571	—
WIOA Dislocated Worker Formula Grants	17.278	C-T6719	34,027	—
Total WIOA Dislocated Worker Formula Grants (17.278):			2,187,158	—
Total WIOA Cluster			7,078,201	76,234

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2023

Federal grantor/pass-through agency/program title	Assistance listing number (ALN)	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<b>Department of Labor:</b>				
Passed through the State of California, Employment Development Department:				
WIOA National Dislocated Worker Grants	17.277	AA011013	\$ (4,718)	—
WIOA National Dislocated Worker Grants	17.277	AA111013	45,477	—
WIOA National Dislocated Worker Grants	17.277	AA311013	236,914	—
Total WIOA National Dislocated Worker Grants / WIA National Emergency Grants (17.277)			<u>277,673</u>	<u>—</u>
Total Department of Labor			<u>7,355,874</u>	<u>76,234</u>
<b>Department of Transportation:</b>				
Direct:				
Airport Improvement Program	20.106	30601270552022	6,697,774	—
Airport Improvement Program	20.106	30601270572023	614,741	—
Airport Improvement Program	20.106	30601270562023	192,841	—
Airport Improvement Program	20.106	30601270482020	6,135,541	—
Airport Improvement Program	20.106	30601270492020	227,664	—
COVID-19 Airport Improvement Program	20.106	30601270542022	1,337,161	—
Total FAA Airport Improvement Program, COVID-19 Airport Improvement Program (20.106)			<u>15,205,722</u>	<u>—</u>
Passed through the State of California, Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	LPPCML5108(185)	3,031,621	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	LPPCML5108(185)	3,031,120	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(199)	7,536,042	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(197)	349,287	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5108(188)	20,028	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(201)	11,510	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPLNI-5108(202)	151,573	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(204)	892	—
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108-184-Z301	276,128	—
Passed through the County of Los Angeles, Metropolitan Transportation Agency:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108-184-Z400	296,991	—
Total Highway Planning and Construction (Federal-Aid Highway Program (20.205)			<u>14,705,192</u>	<u>—</u>
Passed through the State of California, Department of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	0521-0890-101	165,457	—
State and Community Highway Safety	20.600	0521-0890-101	80,561	—
State and Community Highway Safety	20.600	PS23015	276,919	—
State and Community Highway Safety	20.600	DD23003	144,593	—
Subtotal			<u>667,530</u>	<u>—</u>
National Priority Safety Programs	20.616	DI23011	179,047	—
Total Highway Safe Cluster			<u>846,577</u>	<u>—</u>
Total Department of Transportation			<u>30,757,491</u>	<u>—</u>
<b>Department of Treasury:</b>				
Direct:				
Equitable Sharing Program	21.016	N/A	133,000	—
COVID-19 Emergency Rental Assistance Program	21.023	ERAE0209	4,648,726	—
Passed through the State of California, Department of Housing and Community Development:				
COVID-19 Emergency Rental Assistance Program	21.023	21-ERAP-20018	162,199	—
COVID-19 Emergency Rental Assistance Program	21.023	21-ERAP-30018	6,758,126	—
Total Emergency Rental Assistance Program (21.023)			<u>11,569,051</u>	<u>—</u>
Direct:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	5,854,902	—
Passed through the State of California, Department of Housing and Community Development:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	21-HK-17435	1,382,468	—
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds (21.027)			<u>7,237,370</u>	<u>—</u>
Total Department of Treasury			<u>18,939,421</u>	<u>—</u>
<b>Environmental Protection Agency:</b>				
Passed through the State of California, State Water Resources Control Board:				
Beach Monitoring and Notification Program Implementation Grants	66.472	D2214103	102,678	—
Total Beach Monitoring and Notification Program Implementation Grants (66.472)			<u>102,678</u>	<u>—</u>
Total Environmental Protection Agency			<u>102,678</u>	<u>—</u>
<b>Department of Health &amp; Human Services:</b>				
Passed through the National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	22-1269	101,250	—
Medical Reserve Corps Small Grant Program	93.008	23-1269	10,000	—
Total Medical Reserve Corps Small Grant Program (93.008)			<u>111,250</u>	<u>—</u>

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2023

Federal grantor/pass-through agency/program title	Assistance listing number (ALN)	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Passed through the County of Los Angeles:				
Public Health Emergency Preparedness	93.069	PH-003348	\$ 917,989	—
Direct:				
Environmental Public Health and Emergency Response	93.070	NUE1EH001405	93,711	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0025	1,097,422	169,228
Passed through the State of California, Department of Public Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2375BASE00	42,036	—
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	NUS2P5910219	115,304	—
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	75U4U22	8,052	—
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	75U4U23Y3	14,250	—
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)			179,642	—
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	17-10224	260,501	—
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	23-10261	91,128	—
Total Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children (93.197)			351,629	—
Immunization Cooperative Agreements	93.268	KD2JSY6LNMW7	765,063	—
Passed through the County of Los Angeles:				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	PH-003348	385,516	—
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	PH-003348	1,757,873	—
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	PH-003348	6,916,314	—
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	PH-003348	424,281	—
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (93.323)			9,483,964	—
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-003448	1,503,252	—
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-003448	36,190	—
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (93.354)			1,539,442	—
Direct:				
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	1 NH75OT000004-01-00	2,966,360	1,890,863
Passed through the National Association of County and City Health Officials				
Strengthening Public Health Systems and Services through National Partnership to Improve and Protect the Nation's Health	93.421	2023-020606	100,000	—
Strengthening Public Health Systems and Services through National Partnership to Improve and Protect the Nation's Health	93.421	2022-120804	46,174	—
Strengthening Public Health Systems and Services through National Partnership to Improve and Protect the Nation's Health	93.421	2023-013102	80,000	—
Strengthening Public Health Systems and Services through National Partnership to Improve and Protect the Nation's Health	93.421	2023-021606	25,000	—
Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health (93.421)			251,174	—
Direct:				
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	P3-46854848576	1,169,670	—
Passed through the State of California, Department of Health Services:				
Passed through the County of Los Angeles, Department of Public Social Services:				
Passed through the City of Los Angeles:				
Temporary Assistance for Needy Families	93.558	C-142212	22,391	—
Passed through the State of California, Department of Health Services:				
Passed through the County of Los Angeles, Department of Public Social Services:				
Temporary Assistance for Needy Families	93.558	IA-0214	207,690	—
Temporary Assistance for Needy Families	93.558	IA-0214	68,144	—
Total Temporary Assistance for Needy Families (93.558)			298,225	—
Passed through the State of California, Department of Health Services:				
Medicaid Cluster				
Medical Assistance Program (Medicaid, Title XIX)	93.778	20-10011	58,133	—
Medical Assistance Program (Medicaid, Title XIX)	93.778	61-19Evgrm	78,400	—
Medical Assistance Program (Medicaid, Title XIX)	93.778	City No.62 LB	318,866	—
Medical Assistance Program (Medicaid, Title XIX)	93.778	City No.60 LB	134,268	—
Medical Assistance Program (Medicaid, Title XIX)	93.778	DHCS-CMAA EVERGREEN PA-CITY OF LONG BEACH	22,575	—
Passed through the County of Los Angeles:				
Medical Assistance Program (Medicaid, Title XIX)	93.778	PH-004979	140,991	—
Total Medicaid Cluster (93.778)			753,233	—
Passed through the County of Los Angeles:				
HIV Emergency Relief Project Grants	93.914	PH-004606	6,231	—
HIV Emergency Relief Project Grants	93.914	PH-003754	225,911	—
HIV Emergency Relief Project Grants	93.914	PH-004606 / H89HA00016	4,313	—
HIV Emergency Relief Project Grants	93.914	PH-002900	62,608	—
HIV Emergency Relief Project Grants	93.914	PH-003753 / H89HA00016	95,079	—
HIV Emergency Relief Project Grants	93.914	PH-003754 / H89HA00016	132,537	—
HIV Emergency Relief Project Grants	93.914	PH-002900	69,207	—
Total HIV Emergency Relief Project Grants (93.914)			595,886	—
Passed through the State of California, Department of Health Services:				
HIV Care Formula Grants	93.917	15-11059	144,649	—
HIV Care Formula Grants	93.917	18-10872	1,114,035	—
Total HIV Care Formula Grants (93.917)			1,258,684	—

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2023

Federal grantor/pass-through agency/program title	Assistance listing number (ALN)	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Passed through the State of California, Department of Public Health: HIV Prevention Activities_Health Department Based	93.940	19-10424	\$ 253,393	—
HIV Prevention Activities_Health Department Based	93.940	PH-003492/NU62PS924569	889,352	—
Passed through the County of Los Angeles, Department of Public Health: HIV Prevention Activities_Health Department Based	93.940	PH-003082-W3	51,943	—
Total HIV Prevention Activities Health Department Based (93.940)			<u>1,194,688</u>	<u>—</u>
Direct:				
CDC's Collaboration with Academia to Strengthen Public Health	93.967	NE110E000044	686,801	—
Passed through the State of California, Department of Public Health: Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	20-10720	57,839	—
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	21-10562	321,057	—
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants (93.977)			<u>378,896</u>	<u>—</u>
Passed through the State of California, Department of Public Health: Maternal and Child Health Services Block Grant to the States	93.994	202260	662,888	—
Maternal and Child Health Services Block Grant to the States	93.994	202260	166,252	—
Maternal and Child Health Services Block Grant to the States	93.994	202260	880,963	—
Maternal and Child Health Services Block Grant to the States	93.994	202360	287,941	—
Maternal and Child Health Services Block Grant to the States	93.994	202360	12,088	—
Maternal and Child Health Services Block Grant to the States	93.994	202360	150,165	—
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>2,160,297</u>	<u>—</u>
Total Department of Health & Human Services			<u>26,254,026</u>	<u>2,060,091</u>
Department of Homeland Security:				
Passed through the United Way of Greater Los Angeles: Emergency Food and Shelter National Board Program	97.024	Phase ARPAR	2,646	—
Passed through the State of California, Office of Emergency Services: Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	037-4300	8,842,170	—
Passed through the State of California, California Office of Emergency Services: Passed through the County of Los Angeles: Emergency Management Performance Grants	97.042	037-00000	82,000	—
COVID-19 Emergency Management Performance Grants	97.042	037-00000	4,880	—
Total Emergency Management Performance Grants (97.042)			<u>86,880</u>	<u>—</u>
Direct:				
Port Security Grant Program	97.056	EMW-2018-PU-00287	79,262	—
Port Security Grant Program	97.056	EMW-2019-PU-00050	372,447	—
Port Security Grant Program	97.056	EMW2018PU00587	76,396	—
Port Security Grant Program	97.056	EMW2019PU00552	375,000	—
Port Security Grant Program	97.056	EMW2021PU00445	25,200	—
Port Security Grant Program	97.056	EMW2018PU00090	288,512	—
Port Security Grant Program	97.056	EMW2019PU00170	138,870	—
Port Security Grant Program	97.056	EMW2020PU00043	634,307	—
Port Security Grant Program	97.056	EMW2021PU00259	931,745	—
Total Port Security Grant Program (97.056)			<u>2,921,739</u>	<u>—</u>
Passed through the State of California, California Office of Emergency Services: Passed through the City of Los Angeles: Homeland Security Grant Program	97.067	EMW-2020-SS-00032	4,572,711	—
Homeland Security Grant Program	97.067	EMW-2021-SS-00081	1,201,123	—
Homeland Security Grant Program	97.067	EMW-2022-SS-00043	177,731	—
Passed through the State of California, California Office of Emergency Services: Passed through the County of Los Angeles: Homeland Security Grant Program	97.067	037-00000	139,826	—
Homeland Security Grant Program	97.067	037-00000	369,977	—
Total Homeland Security Grant Program (97.067)			<u>6,461,368</u>	<u>—</u>
Passed through the County of Los Angeles: Passed through the City of Los Angeles: Securing the Cities Program	97.106	20CWSTC0001	37,947	—
Total Department of Homeland Security			<u>18,352,750</u>	<u>—</u>
Total Federal Expenditures			<u>\$ 352,000,074</u>	<u>10,831,533</u>

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF LONG BEACH, CALIFORNIA

### Notes to Schedule of Expenditures of Federal Awards

September 30, 2023

#### **(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Long Beach, California (the City). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through to the City by other government agencies, has been included in the accompanying Schedule. The Schedule did not include federal expenditures of \$19,479,637 for the year ended September 30, 2023 of the Long Beach Transportation Company (the Company), a discretely presented component unit of the City, as the Company engaged other auditors to perform audits in accordance with the Uniform Guidance.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **(2) Community-Based Loan Programs with Continuing Compliance**

The City considers loans to eligible participants for the Home Investment Partnerships Program (HOME) to have continuing compliance requirements. As such, the amounts reported in the accompanying Schedule for the HOME program include current-year disbursements as well as the balance of the beginning of the year of loans with continuing compliance requirements.

As of September 30, 2023, the balance of loans with continuing compliance requirements for the HOME program was \$79,440,409.

#### **(3) Food Instruments/Vouchers**

Food instruments/vouchers expenditures represent the estimated value of the Special Supplemental Nutrition Program for Women, Infants and Children food instruments distributed during the year as communicated by the State of California Department of Health Services. The food instruments/vouchers totaled \$12,788,092 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2023.

#### **(4) Indirect Cost Rate**

The City did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414.

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Findings and Questioned Costs  
September 30, 2023

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

- (a) Type of report issued on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinions on the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements:
- Material weaknesses: **No**
  - Significant deficiencies: **Yes**
- (c) Noncompliance material to the basic financial statements: **No**
- (d) Internal control deficiencies over major program disclosed by the audit:
- Material weaknesses: **Yes**
  - Significant deficiencies: **No**
- (e) Type of report issued on compliance for major programs:
- HOME Investment Partnerships Program; ALN 14.239 – **Qualified**
  - All other major programs – **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major program:
- HOME Investment Partnerships Program; ALN 14.239
  - Continuum of Care Program; ALN 14.267
  - Section 8 Housing Choice Vouchers and COVID-19 Section 8 Housing Choice Vouchers; ALN 14.871
  - COVID-19 Emergency Rental Assistance Program; ALN 21.023
  - COVID-19 Coronavirus State and Local Fiscal Recovery Funds; ALN 21.027
  - Disaster Grants – Public Assistance (Presidentially Declared Disasters); ALN 97.036
  - Department of Homeland Security Grant Program (HSGP); ALN 97.067
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **No**

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Findings and Questioned Costs  
September 30, 2023

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

**Finding 2023-001 – Financial Reporting**

During our audit, we identified several instances of inaccurate and/or incomplete reporting in the City's draft annual comprehensive financial report (ACFR), including the presentation in the governmental funds and corresponding budgetary information for the activity related to the MWN Community Hospital. In addition, the approved budgetary balances for the General fund were not accurately reflected in the draft ACFR. We also noted a subsequent version of the draft ACFR inconsistently reported certain components of net position for its major Water Utility fund as well as certain cash flow activity of its major Water Utility, Gas Utility, and Harbor funds as compared to the separately issued, stand-alone audited financial statements of the City's Utilities and Harbor departments. All of these items were corrected in the City's final ACFR.

*Recommendation*

We understand that the ACFR reporting process involves a complex series of steps to accumulate and aggregate information from numerous departments and that management uses its judgment in determining the level and detail of disclosures contained in the ACFR. Additionally, because the current reporting process relies on manual spreadsheets, the time and effort necessary to finalize its financial statements oftentimes becomes a barrier to making incremental improvements to its overall ACFR. As such, we recommend that the City explore enhancing internal controls of financial reporting to leverage City resources when drafting its ACFR.

*Views of Responsible Officials*

The City of Long Beach will remedy the audit finding in the next reporting period. The City will further develop processes to improve reporting of budgetary information and ensure accuracy and completeness, including the review of budget amounts by the Budget Office prior to inclusion in the financial statements. Additionally, City Management will enhance coordination with financial staff in the Harbor and Utilities Departments, that includes review and validation of amounts reported prior to their submission of their stand-alone ACFRs to ensure accuracy and consistency in reporting.

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

**Finding Number:** 2023-002

**Program:** HOME Investment Partnerships Program (HOME)

**ALN #:** 14.239

**Pass-through entity:** NA – Direct Award

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Numbers:** M14-MC060518, M15-MC060518, M16-MC060518, M17-MC060518, M18-MC060518, M19-MC060518, M21-MC060518, and M22-MC060518

**Federal Award Year:** 11/18/2015–09/01/2023, 01/19/2017–09/01/2024, 09/22/2017–09/01/2025, 09/12/2018- 09/01/2026, 09/04/2019–09/01/2027, 08/19/2021–09/01/2029, and 11/09/2022–09/01/2030



**CITY OF LONG BEACH, CALIFORNIA**  
 Schedule of Findings and Questioned Costs  
 September 30, 2023

**Compliance Requirement: Eligibility**

**Criteria**

24 CFR92.252 Qualification as affordable housing: Rental housing.

- (e) Periods of affordability. The HOME-assisted units must meet the affordability requirements for not less than the applicable period, beginning after project completion.
  - (1) The affordability requirements:
    - (i) Apply without regard to the term of any loan or mortgage, repayment of the HOME investment, or the transfer of ownership;
    - (ii) Must be imposed by a deed restriction, a covenant running with the land, an agreement restricting the use of the property, or other mechanisms approved by HUD and must give the participating jurisdiction the right to require specific performance (except that the participating jurisdiction may provide that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure); and
    - (iii) Must be recorded in accordance with State recordation laws.
  - (2) The participating jurisdiction may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure in order to preserve affordability.
  - (3) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property.
  - (4) The termination of the restrictions on the project does not terminate the participating jurisdiction's repayment obligation under § 92.503(b).

<b>Rental housing activity</b>	<b>Minimum period of affordability In years</b>
Rehabilitation or acquisition of existing housing per unit amount of HOME funds: Under \$15,000	5
15,000 to \$14,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Findings and Questioned Costs  
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- (h) Tenant income. The income of each tenant must be determined initially in accordance with § 92.203(a)(1)(i). In addition, each year during the period of affordability the project owner must re-examine each tenant's annual income in accordance with one of the options in § 92.203 selected by the participating jurisdiction. An owner of a multifamily project with an affordability period of ten years or more who re-examines tenant's annual income through a statement and certification in accordance with § 92.203(b)(1)(ii), must examine the income of each tenant, in accordance with § 92.203(b)(1)(i), every sixth year of the affordability period, except that, for units that receive Federal or State project-based rental subsidy, the owner must accept the income determination pursuant to § 92.203(a)(1).

24 CFR 92.203 Income determinations-

(b) ***Required Documentation for Annual Income Calculations***

- (1) For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (b)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any one of the following methods in accordance with § 92.252(h):
- (i) Examine at least two months of source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation statement) for the family.
  - (ii) Obtain from the family a written statement of the amount of the family's annual income and family size, along with a certification that the information is complete and accurate. The certification must state that the family will provide source documents upon request.
  - (iii) Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income; or alternatively, the statement must indicate the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Findings and Questioned Costs  
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**Conditions Found**

The City was unable to collect documents from the property manager at the inspection site to ensure that individuals who occupied HOME - assisted units were eligible tenants. For 4 of 60 sample selections, which all related to the same development group, but different properties, the City did not complete the required eligibility procedures. Therefore, the City did not determine each family's income to determine eligibility, did not ensure the family was low income or very low income, and that the rent did not exceed 30% of adjusted income of a family whose income equals 65% of the median income for the area. Additionally, for the same development group, the City was unable to determine if, for projects with five or more units, 20% of HOME units were occupied by very-low income families.

Per discussion with the City, they were unable to collect eligibility documents related to any of the loans related to this developer. Per review of the City's HOME loan rollforward, 21 out of 279 loans relate to this developer, which represent 6% of the total loan population. Additionally, the 21 loans represent \$13.4M of \$87.5M of total loans disbursed, or approximately 15% of the total population.

**Cause**

Per inquiry with the Housing Development Officer, for the four exceptions related to the same development group, there were multiple attempts between July 6, 2023 and January 26, 2024 to contact the property manager and retrieve income verification documentation for individuals occupying HOME assisted units. It was later determined that the project manager for the developer was no longer with the company. The City then provided a six-week extension to the development agency on January 26, 2024, in a last attempt for them to provide the documentation. No documents or further communication was made with the City. The City was ultimately unable to obtain the documents needed to determine eligibility.

**Effect**

Participants who do not meet income requirements could potentially cause the City to not be in compliance with HUD requirements.

**Questioned Costs**

Not applicable

**Repeat finding**

2022-001

**Statistical sampling**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City continue working with the developer to ensure eligibility documents are gathered and within a timely manner.

**Views of Responsible Officials**

The Community Development Department continues to complete eligibility procedures and is diligently working to collect the required documents. As noted by KPMG, 4 out of 60 sample selections were all

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Findings and Questioned Costs  
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related to properties held by the same development group. It is inaccurate to state that the City has ceased attempts to obtain corrective action from the developer. Since granting the developer a six-week extension on January 26, 2024, the Community Development Department has continued to communicate with the developer to obtain the missing documentation. During a Teams call with a representative from KPMG on July 18, 2024, the City provided the auditor with evidence of continued correspondence with the developer, in the form of emails dated March 18, 2024, March 20, 2024, and, most recently, July 1, 2024. Issues with tenant income eligibility and other related matters with this particular developer have persisted for several years and are well known to the Community Development Department, the grantor, other relevant City departments, and external agencies related to the grantor.

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**Finding Number:** 2023-003

**Program:** HOME Investment Partnerships Program (HOME)

**ALN #:** 14.239

**Pass-through entity:** NA – Direct Award

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Numbers:** M14-MC060518, M15-MC060518, M16-MC060518, M17-MC060518, M18-MC060518, M19-MC060518, M21-MC060518, and M22-MC060518

**Federal Award Year:** 11/18/2015–09/01/2023, 01/19/2017–09/01/2024, 09/22/2017–09/01/2025, 09/12/2018–09/01/2026, 09/04/2019–09/01/2027, 08/19/2021–09/01/2029, and 11/09/2022–09/01/2030

**Compliance Requirement:** Special Tests- Housing Quality Standards

**Criteria**

During the period of affordability (i.e., the period for which the nonfederal entity must maintain subsidized housing) for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME/HOME-ARP-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.209(i), 92.251(f), and 92.504(d)).

Additionally, per 24 CFR 92.504(d)(1)(D), inspections must be based on a statistically valid sample of units appropriate for the size of the HOME-assisted project, as set forth by HUD through a document published in the Federal Register. For projects with one to four HOME-assisted units, a participating jurisdiction must inspect all of the HOME-assisted units and all inspectable areas for each building with HOME-assisted units. However, per the HUD 2013 final rule, not less than 20% of the units can be inspected.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure housing quality standards are appropriately performed and documented.

**Conditions Found**

The City failed to complete inspections on the required number of HOME-assisted units and within the time period required. During our testwork we noted that 4 of the 11 property selections had less than 20% of the units inspected. Additionally, we noted that 5 of the 11 inspections did not occur within the required one-, two-, or three-year time period since the previous inspection date.

The City maintains a log that indicates the property, address, minimum number of inspections required, number of units, the responsible monitor, and if the inspection passed or failed. However, the log is unable to detect that at least 20% of HOME-assisted units per project are selected for inspection. The log

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calculates a minimum of 15% of HOME units inspected per property/project. Additionally, per HUD regulations, the City must make a statistical sample of HOME-assisted units within a project. The log is not indicative of a statistical sample. Lastly, the log does not track all HOME projects, thus, the City is not able to demonstrate its compliance with the frequency of inspection of all sites.

**Cause**

Due to staffing constraints and the number of required inspections, the City was not able to inspect at least 20% of the units within all projects and within the required time. Further, the City's log is not designed to include all the required elements for frequency and number of inspections.

**Effect**

Not inspecting the proper number of units and within the correct time period could cause the City to be non-compliant with HUD requirements.

**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sampling**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City update the internal tracker to ensure that 20% of HOME units are inspected, inspections are based on a statistical sample, and that all inspections occur within the required time. Additionally, the City should track all projects to ensure they are in compliance with all HOME-assisted projects.

**Views of Responsible Officials**

The Community Development Department has faced challenges in meeting its inspection goals, primarily due to resource limitations, staff redeployment and the impact of COVID-19. It is taking steps to address these issues by forming an in-house inspection team and adopting elements from HUD's yet-to-be-released NSPIRE system. For example, three full-time positions have been filled as of May 2024 to assist with the Housing Quality Standards (HQS) efforts.

While HUD guidelines have stated an acceptable rate of 15-20% in their own HQS guidelines, the City set its goal at 20%. Therefore, it is important to note that this finding is not indicative of a failure to meet the regulatory standard, but rather to meet an internal one. Furthermore, the testing shows that the standard was met when the universe of projects and inspections is examined. The Community Development Department aimed to complete 20% of inspections and achieved a completion rate of 19.65% during the fiscal year under audit. The City maintains that the intent of the regulation was met through this standard and this finding has been issued, because the inspections were uneven across individual projects. This can

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be attributed to resource limitations, reliance on the Housing Authority's inspection system, and COVID-19 delays, which led to significant backlogs from prior years when access was limited.

The Community Development Department is now taking more systematic, proactive measures to improve the inspection process, particularly through filled vacancies, in-house inspections conducted by department staff, and an active log indicating inspection targets. As a result, during the current fiscal year, there has been a smoother, more data-driven, systematic approach to meeting HQS requirements, as evidenced by the substantial decrease in backlog. The Department is on track to ensure that every project will meet an inspection target that meets the NSPIRE standards (as currently drafted).

**Response to Views of Responsible Officials**

As noted in the criteria section above, 24 CFR 92.504(d)(1)(D) states, inspections must be based on a statistically valid sample of units appropriate for the size of the HOME-assisted project, as set forth by HUD through a document published in the Federal Register. For projects with one to four HOME-assisted units, a participating jurisdiction must inspect all of the HOME-assisted units and all inspectable areas for each building with HOME-assisted units. However, per the HUD 2013 final rule, not less than 20% of the units can be inspected.

Therefore, 20% of units are required to be inspected at each property. The 20% is not calculated based on total number of loans or HOME assisted units at the City, as indicated in Management's response. Additionally, the City was unable to demonstrate that inspections were based on a statistically valid sample.

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**Finding Number:** 2023-004

**Program:** HOME Investment Partnerships Program (HOME)

**ALN #:** 14.239

**Pass-through entity:** NA – Direct Award

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Numbers:** M14-MC060518, M15-MC060518, M16-MC060518, M17-MC060518, M18-MC060518, M19-MC060518, M21-MC060518, and M22-MC060518

**Federal Award Year:** 11/18/2015–09/01/2023, 01/19/2017–09/01/2024, 09/22/2017–09/01/2025, 09/12/2018–09/01/2026, 09/04/2019–09/01/2027, 08/19/2021–09/01/2029, and 11/09/2022–09/01/2030

**Compliance Requirement:** Special Tests- Housing Quality Standards

**Criteria**

During the period of affordability (i.e., the period for which the nonfederal entity must maintain subsidized housing) for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every three years for projects containing one to four units, (b) every two years for projects containing five to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME/HOME-ARP-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.209(i), 92.251(f), and 92.504(d)).

As stated in 24 CFR 92.251(f) part 4, the participating jurisdiction must have procedures for ensuring that timely corrective and remedial actions are taken by the project owner to address identified deficiencies. It is further outlined in HUD's 2013 final rule that, if any deficiencies are identified for any inspectable items (as established in the PJ's inspection procedures), a follow-up on-site inspection is required within 12 months. For non-hazardous deficiencies, the PJ can either conduct an on-site inspection or accept third party documentation (such as a paid invoice for work completed). Health and safety deficiencies identified during inspections must be corrected immediately. The PJ must adopt a more frequent inspection schedule for these properties. The City's procedures outline a 30 day requirement for deficiencies to be completed.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure housing quality standards are appropriately performed and documented.

**Conditions Found**

During our testwork we noted that repairs/deficiencies that were identified during the initial on-site inspection were not completed timely, as set forth in the City's policies and procedures. For 3 of 11 sample selections, we noted that repairs were documented and completed after the 30-day window.



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Additionally, the City does not have a control to ensure deficiencies noted during the initial inspection are remediated within 30 days.

**Cause**

Due to staffing constraints and the number of required repairs, the City was not able to ensure repairs were completed within 30 days.

**Effect**

Not performing procedures to ensure that deficiencies were remediated, will cause the City to be out of compliance with HUD requirements.

**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement a control to ensure that deficiencies are remediated within 30 days.

**Views of Responsible Officials**

This issue is related to Finding 2023-003, and should be considered in the context of that response. Housing Quality Inspection times were impacted in 2023 due to staff shortages and the need to address a significant backlog that occurred as a result of the COVID-19 pandemic. Despite these challenges, the City remained committed to ensuring the health and safety of affordable housing by maintaining an overall inspection rate of 19.65% in Fiscal Year 2023. Furthermore, the Community Development Department is taking comprehensive measures to address the needed maintenance completion timeframe following the required inspection, and the goal is to ensure repairs are completed within thirty days.

For context, it's important to note that KPMG mentioned three repair delays. Although 3 of the 11 samples were outside the City's stated goal of a thirty-day repair turnover, none faced material delays. One of them was delayed by two days (32 days to complete), while the other two repairs were completed within 34 and 46 days, respectively. This condition has been addressed by implementation of the corrections itemized in Finding 2023-003.

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**Finding Number:** 2023-005

**Program:** COVID-19 Section 8 Housing Choice Vouchers

**ALN #:** 14.871

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Numbers:** Multiple – City receives incremental funding throughout the year.

**Federal Award Year:** 2023

**Compliance Requirement:** Eligibility, Special Tests – Selections from Waiting List

**Criteria**

Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230).

The PHA must do the following:

- (1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).
- (2) For both family income examinations and reexaminations, obtain and document in the family file third-party verification of (a) reported family annual income; (b) the value of assets; (c) expenses related to deductions from annual income; and (d) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).
- (3) Determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR Part 5 Subpart F (24 CFR section 5.601 et seq.) (24 CFR sections 982.201, 982.515, and 982.516).
- (4) Select tenants from the HCVP waiting list (see III.N.1, "Special Tests and Provisions – Selection from the Waiting List") (24 CFR sections 982.202 through 982.207).
- (5) Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification (24 CFR section 982.516).

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides

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reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

**Conditions Found**

For 3 of 40 samples, the City did not re-examine eligible participants during the period ending September 30, 2023 or within the 12-month requirement, as noted above.

Per discussion with the City and review of its policies and procedures over the eligibility process, the Housing Assistance Coordinator reviews and approves the re-examination sheets and supporting eligibility workpapers for each participant to ensure they continue to be eligible under the HCV program. For 40 of 40 sample selections, we noted that there was no evidence of this control being performed.

Additionally, as part of the eligibility process and selecting individuals from the waiting list in accordance with policies, the City completes an intake form, which is reviewed and approved by a Housing Assistance Coordinator. Evidence of this control is noted at the end of the slip with a signature by the Housing Assistance Coordinator who completed the review. During our testing of this control, there were 14 of 40 samples where the intake route slip was not reviewed by the Housing Assistance Coordinator.

**Cause**

For the participants whose income was not re-examined during the fiscal year, it is due to the volume of participants within the City's HCV program and the Housing Authority being understaffed. There are more than 7,000 participants of the HCV program and approximately 76 employees at the Housing Authority whose salaries are charged to the HCV grant.

Due to the volume of new participants and active participants during the fiscal year ended September 30, 2023, the Housing Assistance Coordinator did not have the capacity to sign off on each individual's eligibility package or review all intake forms upon initial pull from the waiting list.

**Effect**

Not properly reviewing participant's eligibility status each 12 month period and upon initial selection, could cause the City to not be in compliance with HUD regulations. Additionally, it could cause the City to be providing assistance to ineligible participants, which would result in unallowable costs to the program.

**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

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**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City continue reviewing each participant's eligibility status once every 12 months and upon initial acceptance into the program. The City should implement a plan to ensure all participants are reviewed.

Lastly, the Housing Assistance Coordinator who reviews the eligibility documents for each participant should evidence the review by signing or initialing the reexamination sheets.

**View of Responsible Officials**

While KPMG has opined that three out of the forty samples were not reexamined for eligibility within the 12-month requirement, on the contrary, HUD considers reexaminations being late if it has been fourteen months since the last reexamination ([www.hud.gov/sites/dfiles/PIH/documents/Reexamination\\_Report\\_Instructions.pdf](http://www.hud.gov/sites/dfiles/PIH/documents/Reexamination_Report_Instructions.pdf)).

For one of those three referenced samples, the annual reexamination was effective September 1, 2023, and it was completed on October 4, 2023. Therefore, the Housing Authority of the City of Long Beach (HACLB) disagrees with the finding for this particular sample, while it agrees that the other two samples were not reexamined timely.

Due to staffing shortages experienced during the fiscal year and the high volume of participants in the City's HCV program, HACLB had annual recertifications that were overdue, exceeding twelve months since the last recertification. Moreover, a significant amount of staff time was spent in training on Housing Opportunity Through Modernization Act (HOTMA) regulations that were continually revised and ultimately delayed, which reduced the amount of time that staff could have utilized for certification processes. The continuously changing regulations created ambiguity for existing and new staff.

To address delays in recertification processes, HACLB has contracted with an agency to assist in processing the overdue recertifications, and HACLB has submitted recruiting requisitions to its Human Resources department to hire additional housing specialists to improve upon its management of the high volume of HCV program participants, documentation and processes, and comply with various deadlines.

Regarding the Intake forms, HUD does not require an Intake/Eligibility sheet be completed. However, HACLB has typically included an Intake/Eligibility sheet to help ensure quality control. Recently, this was not consistently done, due to staffing shortages. To maintain this internal control in the process, staff will be reminded to ensure that an approved Intake/Eligibility sheet is included in the participant's file.

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**Response to Views of Responsible Officials**

Per HUD guidance and the OMB compliance supplement, which is outlined in the criteria section of this finding, a reexamination is required to be completed every 12 months. KPMG notes that the three samples outlined in the conditions found section of this finding had reexaminations that occurred outside the 12 month requirement.

Further, the City communicated verbally and in writing, through process narrative understanding documents, that an intake form is completed for each new participant that is selected from the waiting list. Written process narratives were provided to KPMG on June 5, 2024.

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**Finding Number:** 2023-006

**Program:** Section 8 Housing Choice Vouchers

**ALN #:** 14.871

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Numbers:** Multiple – City receives incremental funding throughout the year.

**Federal Award Year:** 2023

**Compliance Requirement:** Allowability

**Criteria**

PHAs may use HCVP and MV funds only for HAPs to participating owners, and for associated administrative fees (24 CFR sections 982.151 and 982.152).

Accumulated administrative fees prior to fiscal year 2004, may be used for any housing-related purpose. Unspent administrative fees accumulated post fiscal year 2003 (i.e., fees from fiscal year 2004 and later funding, see III.L.1.e.(4)(a), “Financial Reporting – Financial Reports”) may be used only to support the HCVP. These funds still are considered to be administrative fee reserves and are subject to all of the requirements applicable to administrative fee reserves including, but not limited to, those in 24 CFR section 982.155. The fees accumulated from fiscal year 2004 and later funding must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities. PHAs must maintain and report balances for both funding sources (see notice PIH 2015-17 (HA) dated October 6, 2015) (Division I, Title II, Section (5) of Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 3296, and subsequent appropriations acts; see Section 5 of Notice PIH 2005-01; 24 CFR section 982.155).

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

**Conditions Found**

Based on the cost allocation plan that is prepared by the City annually, we recalculated the indirect costs that should have been charged to the HCV program. Based on an approved rate of 18.85%, we identified that there was an additional \$86,163 of indirect expenses that were incorrectly charged to the program. We

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further note that there is no control over the review of the expenses that are applied to the indirect cost rate.

**Cause**

Per discussion with management, costs associated with the project string 'FSS to HCV' of \$79,369 were inappropriately applied to the HCV grant/indirect cost calculation. Additionally, \$6,794 was also inappropriately applied to the indirect cost calculation due to a City accountant incorrectly applying reclass and transfer amounts to the HCV program.

**Effect**

Not applying the proper expenses to the indirect cost rate has caused the City to charge unallowable costs to the HCV program and not to be in compliance with HUD regulations.

**Questioned Costs**

\$86,163 – The difference between the indirect costs that should have been charged to the HCV program and what was applied.

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement a review process to ensure the indirect cost allocation rate is being applied to the proper expenses and, thus, properly being charged to the grant.

**View of Responsible Officials**

The Health and Human Services Department prepares an indirect cost allocation plan that has historically been used to allocate indirect cost charges to the HACLB. As part of the process to allocate indirect costs, a journal entry was processed for the transfer by fiscal year-end. The calculation method used the City's legacy and current financial systems' generated labor reports, capturing the labor cost amounts by legacy system index codes as the basis for the allocation calculation. One of the index codes had pointed to a Family Self-Sufficiency program's general ledger account that was later determined to be questionable by the auditor for inclusion under the HCV program. The Family Self-Sufficiency program does have an association with Housing Choice Vouchers, but was considered by KPMG as not having a direct relationship, and therefore should be excluded from the calculation basis. This amount that was in disagreement represented a majority of the calculated difference between that which was originally posted and the calculated HCV expenditures costs basis calculated by KPMG. The much smaller difference in the total costs basis resulted from later re-classed labor costs out of the HCV general ledger accounts, not reflected in the labor costs reports, and thus not accounted for.

To ensure appropriate indirect cost charges going forward, costs will be taken from general ledger account balances near fiscal year-end, instead of only considering labor reports. HACLB does have a multi-step

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review and approval process for the processing and posting of journal entries and their support documentation, but an improved method of capturing final costs can be implemented in the analysis process. Furthermore, for upcoming fiscal years, the City has changed its indirect costs allocation methodology, in that the City will be directly charging HACL B's funds its share of overhead costs thereby eliminating the Health and Human Services Department indirect cost allocation plan and related indirect cost charges. The \$86,163 that was inappropriately charged to the Housing Fund was repaid by the Health Operating Fund, as of September 30, 2024.

**Response to Views of Responsible Officials**

The City provided the labor cost reports that were used to calculate the indirect costs that were charged to the program. KPMG compared the calculation the City completed, based on these labor reports, to what was actually charged to the program for payroll and fringe benefits. There was a difference of \$86,163 between the actual costs charged and what the City initially calculated from the labor reports. When discussing the difference with the City, it was communicated in writing on August 20, 2024 that an additional \$86,163 was inappropriately charged, and should have been excluded from the HCV program due to an oversight in the accounting department.



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**Finding Number:** 2023-007

**Program:** COVID-19 Section 8 Housing Choice Vouchers

**ALN #:** 14.871

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Numbers:** Multiple – City receives incremental funding throughout the year.

**Federal Award Year:** 2023

**Compliance Requirement:** Special Tests- Quality Control Inspections

**Criteria**

Per 24 CFR 982.405(c), HUD required a PHA supervisory or other qualified person to conduct quality control inspections of a sample of units to ensure that each inspector is conducting accurate and complete inspections and that there is consistency in the application of Housing Quality Standards.

The unit sample must include only units that have been inspected within the preceding three months. The selected sample should be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

Per the City's policies and procedures, 5% of the initial inspections will have a quality control inspection completed.

**Conditions Found**

Upon reviewing the population of completed quality control inspections, we noted that only 20 quality control inspections occurred in the fiscal year ended September 30, 2023. However, there was a total of 5,671 initial inspections completed during this time period and as such, there should have been approximately 284 quality control inspections completed as the City's policy is to verify 5%. This is a difference of 264 quality control inspections that should have been completed.

**Cause**

Due to the required number of quality control inspections to be completed and limited resources to complete those quality control inspections, the City was not able to meet the requirement in during the fiscal year ended September 30, 2023.

**Effect**

Not completing the required number of quality control inspections could indicate that initial inspections are not being conducted accurately, completely, or consistently at the City. This has caused the City to not be in compliance with HUD regulations.

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**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement a process in which the City is able to complete quality control inspections over 5% of the initial inspections completed throughout the year.

**View of Responsible Officials**

The gap in completing the required number of quality control inspections was primarily due to lack of resources and training. In addressing the requirement for 5% of initial inspections having a quality control inspection completed, HACLB will establish clear criteria and standards for the Inspections Housing Assistance Coordinator, who is responsible for quality control inspections to ensure compliance with operational and regulatory requirements. Furthermore, the Inspections Housing Assistance Coordinator will receive additional training on quality control procedures to enhance their skills and understanding of the review process.

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**Finding Number:** 2023-008

**Program:** COVID-19 Section 8 Housing Choice Vouchers

**ALN #:** 14.871

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Numbers:** Multiple – City receives incremental funding throughout the year.

**Federal Award Year:** 2023

**Compliance Requirement:** Special Tests- Housing Quality Standards Enforcement

**Criteria**

For units under housing assistance payment (HAP) contracts that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

**Conditions Found**

During our testing, we noted that for 10 of 40 samples selected, the required repairs were not completed within the 30-day time period, and the City did not properly abate voucher payments by the abatement effective date. As noted above, this date is to be no later than the first of the month following the specified correction period.

Additionally, for 31 of 40 sample selections, we noted that deficiencies were not remediated within 30 days, and therefore, the control failed to ensure that repairs were completed timely. The City's control of sending

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a letter to the tenant to inform them of the deficiency ensures they are aware of the time frame, but does not ensure action is taken.

The City's control over ensuring that voucher payments are properly stopped for abated units, requires the Inspection Supervisor to sign the bi-monthly check run to ensure the HAP register's completeness and accuracy. For six of the seven samples selected, the check run/HAP register did not include the signature of the Inspection Supervisor.

**Cause**

Due to the required number of deficiencies and limited resources, the City was not able to abate payments, or prorate the payments based on the effective abatement date. The City was also unable to enforce the housing quality standards.

**Effect**

The City is not in compliance with the housing quality standards enforcement requirements as set by HUD.

**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement additional control procedures to ensure that deficiencies are remediated within 30 days. Additionally, control procedures should be in place for those that are not remediated within 30 days to ensure HAP payments are abated or prorated, as appropriate.

**View of Responsible Officials**

Due primarily to limited staffing resources, HACLB was unable to verify whether required repairs were completed by the owners, and was unable to take the proper subsequent steps of abating payments to them. To ensure that required repairs are completed within the 30-day time period, HACLB will implement a process to ensure reinspection dates occur before the expiration of the 30-day remediation period.

HACLB will also establish clear criteria and standards for the Inspections Housing Assistance Coordinator who is responsible for timely abatement entries, ensuring compliance with operational and regulatory requirements. The Inspections Housing Assistance Coordinator will receive additional training on abatement procedures to enhance their skills and understanding. Furthermore, the Housing Assistance Coordinator will conduct weekly reviews of deficiencies that exceed the 30-day remediation period to ensure timely action for abatement or proration.

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**Response to Views of Responsible Officials**

The City communicated verbally and in writing, through process narrative understanding documents, that the Inspection Supervisor reviews the register to ensure that payments are stopped for abated units, or restarted for units coming off the abatement list. The Inspection Supervisor is required to sign or initial each check run/HAP register to ensure its completeness and accuracy. It is further noted that when one coordinator is unavailable, another coordinator will perform their review and approval of the register. Written process narratives were provided to KPMG on June 5, 2024.

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**Finding Number:** 2023-009

**Program:** COVID-19 Section 8 Housing Choice Vouchers

**ALN #:** 14.871

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Numbers:** Multiple – City receives incremental funding throughout the year.

**Federal Award Year:** 2023

**Compliance Requirement:** Special Tests- Housing Assistance Payment, Reporting, and Allowability

**Criteria**

The Public Housing Authority (PHA) must pay a monthly housing assistance payment (HAP) on behalf of the family that corresponds with the amount on line 12u of the HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register (24 CFR section 982.158 and 24 CFR Part 982, Subpart K).

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

**Conditions Found**

For 1 of 40 samples selected, the City did not complete the required eligibility re-examination as required on 4/1/2023, but instead completed it on 1/4/2024. At the time of the re-examination, the City found that the individual no longer qualified for further HAP payments as their monthly adjusted income exceeded 30% of the rental payment. As a result of the delay in completing the re-examination, the individual continued to receive HAP payments that they were no longer eligible to receive. While the HUD-5508 and the amended HAP contract showed a \$0 housing assistance payment amount, the HAP register showed that the individual continued to receive HAP assistance payments in the amount of \$462 through the City's fiscal year end of 9/30/2023.

Additionally, the City's control over the HAP register, used in testing the housing assistance payment and allowability compliance requirements, requires six of the Housing Authority Coordinators to review each check run/HAP register. Each Coordinator is responsible for reviewing and approving a different area of the

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register to ensure its completeness and accuracy. For six of the seven samples selected, the check run/HAP register did not include all signatures of the required Housing Authority Coordinator.

With regard to the HUD-50058 reporting testwork, the City does not have a control in place to ensure that the HUD-50058 is complete and accurate. As such, there was not a control related to this process to test.

**Cause**

Due to the Housing Authority being understaffed and the required number of re-examinations be performed, many of the re-examinations were completed late. This caused the City to not be in compliance with HUD regulations and as such the HUD-50058, HAP register, and HAP contracts to not be in agreement.

**Effect**

The City is not in compliance with HUD's requirements that the HUD-50058, HAP register, and HAP contract/amended contract agree. Additionally, the City has been providing ineligible participants with HAP payments resulting in unallowable costs.

**Questioned Costs**

\$462- Difference between the contract/amendment and the HAP register.

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement additional controls and procedures to ensure proper record keeping and that the HUD-50058, HAP register, and HAP contract all agree.

**View of Responsible Officials**

Due to staffing shortages during the fiscal year and the high volume of participants in the City's HCV program, a few reexaminations were completed late. Moreover, a significant amount of staff time was used for training regarding the Housing Opportunity Through Modernization Act (HOTMA) regulations that were continually revised and ultimately delayed, which reduced the amount of time that staff could have utilized for certification processes. The changing regulations created ambiguity for existing and new staff.

There was one selection out of forty, of which KPMG determined did not qualify for further HAP payments, since the family share equaled or exceeded the gross rent. For this particular sample selection, the April 1, 2023 annual reexamination was completed on January 4, 2024, when the HAP payment decreased from \$462 to \$0 per month. A Zero-HAP letter was sent to the participant on February 26, 2024, informing the participant that effective March 1, 2024 this individual would be responsible for the full rent and would no longer receive a Housing Assistance Payment (HAP). The letter also advised the individual that she would remain a participant for an additional six months and no change in income/circumstances, her participation in the voucher program would be terminated, per HUD policies. Because the annual reexamination was

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processed late, HACLB absorbed the HAP payment until the 30-day notice of change was provided to the participant. At the conclusion of the Zero-HAP term (six months), the Housing Specialist completed the End of Participation for the participant and has requested the transfer of the remaining overpaid HAP from the HAP fund to the Housing Authority Administrative Fund. This minimal amount correction was being processed in FY24.

To address delays in reexamination processes, HACLB has contracted with an agency to assist in processing overdue reexaminations, and HACLB has submitted recruiting requisitions to its Human Resources department to hire additional housing specialists to improve upon its management of the high volume of HCV program participants, documentation and processes, and to meet various requirement deadlines.

Regarding the testing of HUD-50058 forms, the HUD-50058 form is generated after information is inputted into HUD's system. Error warnings are produced from the system if information is missing. Accuracy is based on the information inputted. HACLB will provide additional training to staff inputting the information, and reviews will continue to be done by the supervisor. However, it would be very difficult for the HUD-50058 form, HAP register and HAP contract to not be in agreement. When a reexamination is processed, any changes are made in HUD's system, changes are locked in, a HUD-50058 is generated, an amended HAP contract is printed, which reflects the changes made on the 50058 form, and when the HAP payment is made the payment is made for the new amount per the HAP register. Thereby, each step dependent upon the prior step's information, making it very difficult for the HUD-50058 form, HAP register and HAP contract to not be in agreement. To further improve upon the process, HACLB implemented new housing software in August 2024, which enhances reporting and tracking of payments, of HUD-50058 forms and of contract amendments. Housing Assistance Coordinators will use these reports to identify and address discrepancies.

Lastly, regarding the City's control with the HAP register's required signatures, HACLB's internal procedures does not require all six Housing Coordinators to approve the check run/HAP register, as KPMG assumed. There are only three assigned Housing Assistance Coordinators that have designated staff who are allowed to make adjustments and review the check-run adjustment register to confirm the work of their respective teams. If one of the approvers is absent, another approver may review and approve the adjustments that can be completed via email.

**Response to Views of Responsible Officials**

As noted in the conditions found, the City did not complete this reexamination until nine months after the effective date. Therefore, the process that occurred in January 2024, should have occurred by April 1, 2023. The individual would have been determined to have a \$0 HAP payment at this time. Therefore, the City provided the participant with the \$462 payment for the nine months that the reexamination was not completed.

Through walkthrough procedures and process narrative understanding documents, the City communicated to KPMG in writing that all parties listed on the HAP register are required to sign off and approve the register. Only one of seven registers selected for testing included all six signatures. Written process narratives were provided to KPMG on June 5, 2024.



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**Finding Number:** 2023-010

**Program:** COVID-19 Coronavirus State and Local Fiscal Recovery Funds

**ALN #:** 21.027

**Pass-through Entity:** N/A – Direct Award

**Federal Agency:** U.S. Department of Treasury

**Federal Award Numbers:** N/A

**Federal Award Year:** 2021

**Compliance Requirement:** Allowability

**Criteria**

Recipients may use SLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 codified at 42 USC sections 802 and 803 respectively. Recipients may use payments from CSLFRF to:

- a. Respond to the public health and negative economic impacts of the pandemic, by supporting the health of communities, and helping households, small businesses, impacted industries, and the public sector recover from economic impacts of the pandemic.
- b. Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- c. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
- d. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support, vital wastewater and storm water infrastructure, and to expand access to broadband internet.

Additionally, per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. This would include internal controls related to the review and approval of allowable costs.

**Conditions Found**

The City utilized a portion of the funds received under the Coronavirus State and Local Fiscal Recovery Funds program to establish and fund a Guaranteed Income Program. The Guaranteed Income Program provided payments to individuals who experienced negative economic impacts as a result of the pandemic. To determine who would be eligible to receive assistance under the Guaranteed Income Program, the City

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developed specific eligibility criteria whereby applicants that had a household income below the poverty line would meet the criteria of having a negative economic impact. The total amount paid under this program for the year ended September 30, 2023 was \$623,500.

During our testwork over the allowability of payments made under the Guaranteed Income Program, we identified that for 5 of 25 payments selected for testwork, the applicant did not meet the criteria of having a household income of less than the poverty line as established by the City. While each of the five applications reported household income that was lower than the poverty line, the additional documentation provided by the applicant to substantiate what their actual income was showed household income that exceeded the poverty line. As a result, these applicants were not eligible for the program and the payments made to the five applicants.

**Cause**

The cause of the condition found was due to insufficient review controls over the processing and approval of participant applications. The City utilized a vendor to assist in the processing of applications for this program. The City had implemented a policy whereby the City reviewed 10% of the applications approved by the vendor. The errors identified during our testwork related to applications that the City did not review.

**Effect**

The effect of the condition found is that payments under the Guaranteed Income program were made to ineligible participants resulting in unallowable costs.

**Questioned Costs**

\$2,500 – The amount paid to the five ineligible applicants identified

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend that the existing internal controls related to the review and approval of applications for the Guaranteed Income Program be evaluated to ensure that all applications approved by the vendor were appropriately approved by the City.

**View of Responsible Officials**

The utilization of a vendor to evaluate, approve and process applications was critical to the speedy and successful deployment of the Guaranteed Income Program in response to the COVID-19 pandemic. The Economic Development Department does not have the staff capacity to evaluate the volume of applications received under this and similar programs implemented under the Coronavirus State and Local Fiscal Recovery Funds program. Accordingly, the Economic Development Department relied on its contracted partner to verify applicants for enrollment in the program and conducted a secondary review of 10% of all applications approved by the vendor prior to authorizing disbursement. As noted in the finding, the errors

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identified in the test work related to applications that the Economic Development Department did not review. Nonetheless, the Economic Development Department acknowledges that insufficient review controls contributed to payments made to ineligible applicants.

In response to the findings, Economic Development Department has worked with the vendor to improve evaluation processes related to the income eligibility verification process, including:

- a. **Enhanced Training:** The vendor will provide comprehensive training to all reviewers involved in verifying income documentation. This training will emphasize the importance of accurately inputting pay period frequency and using gross income for calculations.
- b. **Secondary checks:** The vendor will establish additional quality assurance checks to validate the accuracy of income calculations before final eligibility determinations are made. This may include double-checking calculations by a second reviewer or implementing automated systems to flag potential errors.

Additionally, the Economic Development Department has re-evaluated and revised its policy for additional review by staff; increasing the number of applications reviewed by the Economic Development Department from 10% to 30%. In the view of Management of Economic Development Department, increasing the review sample size to 30% sufficiently mitigates the risk of further error while preserving the benefits and efficiencies that utilizing a contract processor provides. Further, the Economic Development Department worked with the vendor to review all applications manually qualified by the vendor to identify any further ineligible applications not found in the sample.

Regarding the questioned costs, the Economic Development Department implemented a second round of the Guaranteed Income Program that was funded by non-grant funds. Costs associated with the ineligible applications identified in the audit were reclassified from American Rescue Plan Act funding to the City's General Fund, and replaced by costs from confirmed eligible applications in the second round of the program.

Finally, the City has sought restitution from the vendor for administrative costs of the improperly vetted applications. The City will not seek repayment from the ineligible applicants. The applicants were not responsible for the error.

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**Finding Number:** 2023-011

**Program:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**ALN #:** 97.036

**Pass-through Entity:** State of California – Office of Emergency Services

**Federal Agency:** Federal Emergency Management Agency (FEMA)

**Grant Award Numbers:** 3100202051, 3100202055, 3100202058, and 3100202059

**Federal Award Years:** January 27, 2023, March 12, 2023, July 17, 2023, July 21, 2023

**Compliance Requirement:** Other – Inaccurate reporting of the Schedule of Expenditures of Federal Awards

**Criteria**

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately and completely reported on the SEFA.

**Conditions Found**

The City did not have adequate internal controls related to the reporting of expenditures on the SEFA for Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Disaster Grants) program. The City incorrectly reported \$2,165,166 in expenditures on the September 30, 2023 draft Schedule of Expenditures of Federal Awards (SEFA) related to grants that were not obligated by the Federal Emergency Management Agency (FEMA) as of September 30, 2023, resulting in the draft SEFA being overstated. While the City had incurred costs under these FEMA projects, nonfederal entities may not record expenditures on the SEFA until FEMA has approved the nonfederal entity's project and has obligated those expenditures to the nonfederal entity. The City subsequently revised the SEFA so that the expenditures reported are accurate.

**Cause**

In discussing these conditions with the City, it stated the error was primarily due to the City not understanding the updated guidance issued by FEMA that notes FEMA expenditures are to be recorded on the SEFA at the later of the FEMA obligation date or the incurrence of an allowable expense.

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**Effect**

Failure to establish effective internal controls regarding financial reporting for the preparation of the Schedule may prevent the City from completing an audit in accordance with the timelines of Uniform Guidance.

**Questioned Costs**

Not applicable

**Repeat finding**

A similar finding was not reported in the prior year.

**Statistical sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Recommendation**

We recommend the City implement a system of internal control that is designed and operating at a level of precision to ensure the Schedule is complete and accurate.

**View of Responsible Officials**

The Financial Management Department acknowledges there was a deficiency in the manner that expenditures were reported for a declared disaster on the SEFA for the fiscal year ended September 30, 2023.

The \$2,165,166 overstatement represented expenditures that FEMA obligated within 60 days of September 30, 2023. Given the program is maintained in a Governmental Fund, the Department recorded a revenue accrual in the FY 2023 Annual Comprehensive Financial Report (ACFR) to align with the City's existing policy to record grant revenue expected to be collected within one year in the same fiscal year expenditures are reported. The Department recognizes FEMA Disaster Grants should be an exception and will prevent this reporting error by updating the Revenue Recognition Policy and issuing a Financial Management Disaster Procedure Manual that will include a narrative on this specific matter. The Procedures Manual will be published on the City Intranet and utilized for all City Staff as a resource for all future disaster grants funded by FEMA's Public Assistance Program (ALN 97.036). Revisions to the Procedure Manual will be made as needed to ensure the City is current with the latest compliance changes.

In addition to attending regular meetings and obtaining direct correspondence and guidance from FEMA representatives, Financial Management will also perform its own research to obtain, read, and apply the latest Uniform Guidance Compliance Supplement prior to the annual SEFA preparation process to ensure the City is meeting compliance requirements.

The proper FEMA expenditures amount for fiscal year ended September 30, 2023, was revised in subsequent SEFA drafts and is reflected in the final Single Audit report.