

City of Victorville

Victorville, California

Single Audit Report

For the year ended June 30, 2024

City of Victorville
Single Audit Report
For the year ended June 30, 2024
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**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**

Independent Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of Victorville
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Victorville, California (City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2025.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

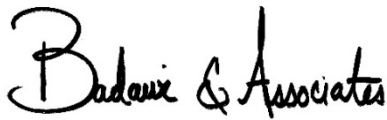
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is stylized, with a large, looped initial 'B' and a cursive script for the rest of the name.

Badawi & Associates, CPAs
Berkeley, California
March 31, 2025

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of Victorville
Victorville, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Victorville, California (City)'s 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 June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Auditor's 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 opinion 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.

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.

Auditor's 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 Example Entity'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.

Report on Internal Control Over Compliance

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

To the Honorable Mayor and Members of City Council
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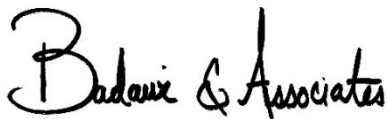
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.



Badawi & Associates, CPAs
Berkeley, California
March 31, 2025

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City of Victorville
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

Grantor Agency and Grant Title	Assistance Listing Number	State/Other Pass-through Number	FY 2024 Program Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Program:</i>			
CDBG Entitlement Grants Cluster:			
Commnuity Development Block Grants (CDBG)	14.218	n/a	\$ 1,031,661
COVID-19 CDBG	14.218	n/a	42,447
		Program Subtotal	1,074,108
<i>Pass-through the Town of Apple Valley:</i>			
Home Investment Partnerships Program	14.239	n/a	365,117
Total U.S. Department of Housing and Urban Development			1,439,225
U.S. Department of Homeland Security			
<i>Pass-through from County of San Bernardino:</i>			
Emergency Management Performance	97.042	2022-0005	25,715
Homeland Security Fire Equipment Expenses	97.067	2021-0081 & 2020-0095	81,138
Total U.S. Department of Homeland Securiry			106,853
U.S. Department of Justice			
<i>Passed-through from County of San Bernardino:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	n/a	138,079
Total U.S. Department of Justice			138,079
U.S. Department of Transportation			
<i>Direct Program:</i>			
Airport Improvement Program	20.106	n/a	1,762,162
<i>Passed-through from California Department of Transportation:</i>			
Highway Planning & Construction			
State Transportation Improvement Program (STIP)	20.205	BHLS-5380 (026)	1,991,651
Highway Safety Improvement Program (HSIP)		HSIPL-5380 (037)	293,965
Highway Safety Improvement Program (HSIP)	20.205	HSIPL-5380 (038)	10,553
		Program Subtotal	2,296,169
Total U.S. Department of Transportation			4,058,331
U.S. Department of Treasury			
<i>Direct Program:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	13,912,967
Total U.S. Department of Justice			13,912,967
Total Federal Expenditures			\$ 19,655,455

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Victorville
Single Audit Report
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

1. REPORTING ENTITY

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB), consists of the primary government, which is the City of Victorville (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City and its component units as disclosed in the notes to the Basic Financial Statements. Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general and special revenue. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and other agencies are included in the Schedule. The Schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. INDIRECT COSTS

The City did not elect to use the 10% de minimis indirect cost rate.

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Types of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted: No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Types of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a): No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Expenditures
21.027	Coronavirus State and Local Fiscal Recovery Funds	\$ 13,912,967
	Total Expenditures of All Major Federal Programs	\$ 13,912,967
	Total Expenditures of Federal Awards	\$ 19,655,455
	Percentage of Total Expenditures of Federal Awards	70.8%

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section II - Current Year Findings

A. Current Year Findings – Financial Statement Audit

None reported.

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

None reported.

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings

A. Prior Year Findings – Financial Statement Audit

2023-001: Material Weakness in Internal Control Over Financial Reporting – Capital Assets

Criteria:

An essential part of the reporting process is maintaining accurate, up-to-date schedules for account balances. General ledger amounts should be updated to reflect current-year balances for accurate financial reporting. Year-end closing processes should include a review and approval step to identify and correct material differences and errors before the information is submitted for audit.

Condition:

During the review of capital assets, it was noted that discrepancies existed between the detail schedules, the capital asset roll-forward, and the general ledger balances, which were material. As a result, the City was requested to re-perform the year-end capital asset close process, with a focus on a review and approval step for the employee performing the work. Additionally, it was identified that an asset sold from the Southern California Logistics Airport Authority (SCLA) to the Water District was capitalized at the purchase price instead of the book value. Furthermore, the Victorville Water District enterprise fund expensed \$4.985 million in capital project costs that should have been capitalized as construction in progress.

Cause:

The City did not adequately follow year-end closing procedures to identify the above errors. It was unaware that accounting standards require intra-entity sales to be capitalized at the book value recorded in the previous fund. Additionally, the City did not properly identify all capital expenses when closing year-end capital assets for the Water District.

Context and Effect:

The adjustments made after the City re-performed the year-end close had the following impact:

Business-type activities saw a decrease of \$105 thousand in construction in progress, an increase of \$7 thousand in buildings and improvements, an increase of \$359 thousand in accumulated depreciation, an increase of \$352 thousand in depreciation expense, and an increase of \$105 thousand in expenses.

Specifically, the Victorville Water District had a decrease of \$105 thousand in construction in progress, an increase of \$7 thousand in buildings and improvements, an increase of \$25 thousand in accumulated depreciation, an increase of \$18 thousand in depreciation expense, and an increase of \$105 thousand in expenses.

The Southern California Logistics Airport Authority saw an increase of \$857 thousand in accumulated depreciation and depreciation expense.

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

A. Prior Year Findings – Financial Statement Audit, Continued

2023-001: Material Weakness in Internal Control Over Financial Reporting – Capital Assets, Continued

Recommendation:

The City should implement policies and procedures to review capital assets at year-end for proper classification and ensure that management, who did not perform the work, reviews and approves the results. Additionally, the City should establish procedures to review intra-entity asset sales and ensure they are capitalized at book value. Finally, the City should implement policies to ensure the completeness of capital asset additions.

Current Status:

Implemented.

2023-002: Material Weakness in Internal Control Over Financial Reporting – Grants Receivable, Expenditures/Expenses, and Unavailable Revenue

Criteria:

Grant receivables should be equal to the eligible project expenditures less any amounts previously reimbursed by the grantor. For governmental funds, deferred inflows of resources, unavailable revenues, should be recorded instead of revenue when those amounts are received after the City's availability period, which is 60 days. In addition, in the cases when revenues must be returned if not utilized, cash received should be offset by unearned revenue.

Grant expenditures should be carefully matched to grant revenues to record amounts in the correct fund originally. Should corrections in subsequent years be required, the history of all journal entries for grant revenues and expenditures should be performed to determine where transactions have been recorded before recording restatements.

Condition:

The City has various projects that are grant funded on a reimbursement basis, which means that the City incurs the cost and then requests for reimbursement from the funding source. During our audit, we reviewed these projects and had numerous inquiries when grant receivables did not equal the unreimbursed eligible expenditures. This led to numerous adjustments to correct the balances.

In addition, the City had a restatement to correct the funding source for capital expenditures that reverses a restatement the City recorded in the prior year. The original restatement provided by the City for fiscal year 2022-2023 required an audit adjustment to correct the restatement.

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

A. Prior Year Findings – Financial Statement Audit, Continued

2023-002: Material Weakness in Internal Control Over Financial Reporting – Grants Receivable, Expenditures/Expenses, and Unavailable Revenue, Continued

Cause:

The City did not perform an analysis on each project to verify the balances in these accounts prior to commencement of the audit procedures. Regarding the restatement, the City did not perform adequate research to identify the impact of all previously recorded journal entries since the funds were originally recorded in 2020.

Context and Effect:

Approximate changes in the general ledger balances due to the adjustments are as follows:

Other aggregate governmental funds had a net increase in receivables of \$267 thousand, increase in revenue of \$340 thousand, and an decrease in deferred inflows of resources, unavailable revenues of \$73 thousand; other state and local grants major special revenue fund had a decrease in receivables of \$186 thousand, decrease in deferred inflows of resources, unavailable revenues, of \$372 thousand and an increase in revenues of \$186 thousand; other federal grants major special revenue had a decrease in both receivables and deferred inflows of resources, unavailable revenues of \$109 thousand.

The restatement to correct the funding source for capital expenditures was \$494 thousand that impacted the measure I special revenue fund (decrease) and the transportation tax special revenue fund (increase). This restatement is appropriately not disclosed in the notes to the financial statements in accordance with generally accepted accounting principles since both funds are included in the other aggregate governmental funds, which nets the restatement to zero for the financial statement presentation of other aggregate governmental funds.

Recommendation:

The City should implement policies and procedures to review all project activity and verify the amounts recorded for grants receivable and deferred inflows of resources, unavailable revenues, are accurate prior to the commencement of the audit. In addition, we recommend that the City implement policies and procedures to ensure all grant revenues and expenditures are recorded in the appropriate fund that contains the funding source at the time the original receipt occurs. Should corrections be required in subsequent years, we recommend that the City perform an analysis that will show all activity of the grant before recording restatements

Current Status:

Implemented

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

A. Prior Year Findings – Financial Statement Audit, Continued

2023-003: Material Weakness in Internal Control Over Financial Reporting – Cash

Criteria:

Bank reconciliations should not contain unidentified variances. Also, cash transactions should be recorded in the correct fiscal year. May 2023 cash activity should be recorded in fiscal year 2022-2023 and July 2023 cash activity should be recorded in fiscal year 2023-2024.

Condition:

The City provided a bank reconciliation as of June 30, 2023 that had an unidentified variance of \$27 thousand. In addition, the bank reconciliation contained reconciling items for May 2023 bank activity that were not posted to the general ledger until fiscal year 2023-2024 instead of recorded when the transactions occurred in fiscal year 2022-2023. The bank reconciliation also contained reconciling items for July 2023 bank activity that were recorded as cash activity in June 2023 instead of fiscal year 2023-2024.

Cause:

The City did not complete the bank reconciliation process by identifying all reconciling items and ensuring transactions were recorded in the appropriate fiscal year.

Context and Effect:

The unreconciled variance of \$27 thousand required an audit adjustment to increase cash by this amount in order to match the general ledger to the bank reconciliation. Audit adjustments were also required to decrease cash by \$193 thousand for May 2023 bank activity and increase cash by \$346 thousand to remove July 2023 bank activity.

Recommendation:

The City should implement policies and procedures to ensure that all reconciling items are identified and recorded in the appropriate fiscal year.

Current Status:

Implemented

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

A. Prior Year Findings – Financial Statement Audit, Continued

2023-004: Material Weakness in Internal Control Over Financial Reporting – Prepaid Water Connection Fees

Criteria:

The City collects connection fees in advance for large capital projects that will result in connections to the City's water lines. As the individual homes or units are connected to the City's system, the amounts collected should be recognized as revenue.

Condition:

Due to the audit inquiry, the City identified homes or units that were connected to the City's water system during the fiscal year for which connection fees had been collected in advance. These amounts were not recognized as revenue and remained a liability on the water enterprise fund's statement of net position.

Cause:

The City did not perform the analysis on the connections for the prepaid water connection fees account until after audit inquiry occurred.

Context and Effect:

The liability was decreased, and revenues were increased by approximately \$0.2 million.

Recommendation:

The City should perform the analysis required on this account prior to the commencement of the audit.

Current Status:

Implemented

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

A. Prior Year Findings – Financial Statement Audit, Continued

2023-005: Material Weakness in Internal Control over Financial Reporting – Land Held for Resale

Criteria:

Land held for resale is required to be recorded at the lower of cost or market value.

Condition:

During our review of land held for resale, we noted that the general ledger did not agree to the City's detail schedule, which provided an analysis of lower of cost or market.

Cause:

The City performed the analysis over land held for resale but did not ensure that the general ledger reflected the required value.

Context and Effect:

An audit adjustment was required to reduce land held for resale and increase expenditures by approximately \$454 thousand.

Recommendation:

The City should develop policies and procedures to ensure that land held for resale is recorded at the lower of cost or market value.

Current Status:

Implemented

City of Victorville
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section III - Prior Year Findings, Continued

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

2023-006: Material Weakness in Internal Control Over Financial Reporting – Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Criteria:

The SEFA should reflect all federal expenditures in the appropriate fiscal year, corresponding to the period in which the expenditures were incurred.

Condition:

The City were incorrectly reported federal expenditures totaling \$6,355,730 under Assistance Listing 21.027 (Coronavirus State and Local Fiscal Recovery Funds) and \$199,999 under 14.231 (Emergency Solutions Grant Program) in the fiscal year 2022-2023 SEFA, despite being incurred in fiscal year 2021-2022.

Cause:

The City did not verify that grants provided by non-federal entities were not derived from federal funding when preparing the fiscal year 2021-2022 SEFA.

Context and Effect:

The SEFA for fiscal year 2021-2022 was materially misstated due to the exclusion of these amounts, and the SEFA for fiscal year 2022-2023 is materially misstated due to the inclusion of these amounts in the incorrect fiscal year.

Recommendation:

The City should implement policies and procedures to investigate the source of funding for all grants to identify federal expenditures. In addition, to ensure the ease of identification of federal funding in the general ledger and include the federal program assistance listing number and name in the general ledger account titles to ensure the ease of identification of federal funds and completeness of the SEFA.

Current Status:

Implemented.

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