

# **City of Stockton**

Stockton, California

## **Single Audit and Independent Auditor's Reports**

*For the Year Ended June 30, 2024*





**City of Stockton  
Single Audit Report  
For the Year Ended June 30, 2024**

**Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Reports:</b>	
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	1
<b>Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....</b>	3
Schedule of Expenditures of Federal Awards .....	6
Notes to the Schedule of Expenditures of Federal Awards .....	9
Schedule of Findings and Questioned Costs .....	10

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6 Hutton Centre Drive, Suite 1200  
Santa Ana, California 92707



[www.pungroup.cpa](http://www.pungroup.cpa)



## 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 Stockton  
Stockton, 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 (“*Government Auditing Standards*”), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (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, and have issued our report thereon dated September 17, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002 and 2024-003 that we consider to be material weaknesses.



To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
Page 2

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

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

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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 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.

*The PwC Group, LLP*

Santa Ana, California  
September 17, 2025



6 Hutton Centre Drive, Suite 1200  
Santa Ana, California 92707

[www.pungroup.cpa](http://www.pungroup.cpa)



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

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

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

***Opinion on Each Major Federal Program***

We have audited the City of Stockton, 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 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 types of 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* (the "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 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 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 City's federal programs.

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
Page 2

### ***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 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 generally accepted auditing standards, *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 City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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 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 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 2024-004, 2024-005, 2024-006, 2024-008, and 2024-009. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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 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 and significant deficiencies.

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
Page 3

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004, 2024-005, 2024-006, 2024-008, and 2024-009 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-007 to be a significant deficiency.

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

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

### **Report on the Schedule of Expenditures of Federal Awards Required by 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 September 17, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 other 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 Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*The PwC Group, LLP*

Santa Ana, California

February 11, 2026, except for the Schedule of Expenditures of Federal Awards, which is as of September 17, 2025.

**City of Stockton**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
<i>Direct Program:</i>				
<i>CDBG - Entitlement/Special Purpose Grants Cluster:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0026	\$ 125,337	\$ 78,450
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0026	7,900	-
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0026	122,820	6,250
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0026	2,661,066	1,016,196
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-06-0026	2,443,933	2,443,933
Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-06-0026	1,033,055	327,511
Community Development Block Grants/Entitlement Grants	14.218	Revolving Loan	412,144	412,144
Community Development Block Grants/Entitlement Grants	14.218	Program Income	1,345,411	937,335
COVID 19 - Community Development Block Grant Program	14.218	B-20-MW-06-0026	317,215	239,108
Total CDBG - Entitlement/Special Purpose Grants Cluster			8,468,881	5,460,927
Emergency Solutions Grant Program	14.231	E-21-MC-06-0026	3,755	3,755
Emergency Solutions Grant Program	14.231	E-22-MC-06-0026	150,977	150,977
Emergency Solutions Grant Program	14.231	E-23-MC-06-0026	81,687	62,461
COVID 19 - Emergency Solutions Grant Program	14.231	E-20-MW-06-0026	85,353	76,171
Total Emergency Solutions Grant Program			321,772	293,364
HOME Investment Partnerships Program	14.239	M-17-MC-06-0221	683,571	683,571
HOME Investment Partnerships Program	14.239	M-21-MC-06-0221	148,018	-
HOME Investment Partnerships Program	14.239	M-22-MC-06-0221	36,000	-
COVID 19 - HOME Investment Partnership American Rescue Plan	14.239	M-21-MP-06-0221	713,183	703,893
Total HOME Investment Partnership Program			1,580,772	1,387,464
<b>Total U.S. Department of Housing and Urban Development</b>			10,371,425	7,141,755
<b>U.S. Department of Justice</b>				
<i>Direct Program:</i>				
Byrne Discretionary Grants Program	16.753	15PBJA-22-GG-00124-BRND	262,461	-
Total Byrne Discretionary Grants Program			262,461	-
<i>Pass-Through San Joaquin County District Attorney's Office:</i>				
Local Law Enforcement CGIC Integration Initiative	16.738	15PBJA-22-GG-01760-MUMU	372,347	149,963
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-23-GG-03183-JAGX	94,788	87,465
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01198-JAGX	200,463	190,832
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-02064-JAGX	255,412	191,230
Total Edward Byrne Memorial Justice Assistance Grant Program			923,010	619,490
<b>Total U.S. Department of Justice</b>			1,185,471	619,490
<b>U.S. Department of Transportation</b>				
<i>Pass-Through State of California Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
TREET RESURF FED AID ST	20.205	HIPSTPL-5008(207)	11,854	-
BUS RAPID TRANSIT I-B	20.205	CML-5008(148)	224,743	-
Bus Rapid Transit Phase V	20.205	CML-5008(149)	809,882	-
Guardrail, Transition Rail	20.205	HSIPL-5008(152)	11,890	-
WST LN TRS CONTROL SYS	20.205	CML-5008(165)	819,111	-

**City of Stockton**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Transportation (continued)</b>				
<i>Pass-Through State of California Department of Transportation (Continued):</i>				
Highway Planning and Construction Cluster (Continued):				
Bear Creek/Piley Slough Bike	20.205	CML-5008(175)	301,522	-
HSIP 8-Convnt Signal Fr Ped	20.205	HSIPL-5008(166)	1,301	-
HSIP 8-Road Diet @ El Dorado	20.205	HSIPL-5008(162)	8,999	-
Lincoln/ 8th Roundabout	20.205	CML-5008(176)	56,912	-
Pacific/March Intrsec Mod	20.205	CML-5008(181)	357,988	-
Realtime Traffic Flow Monitor	20.205	CML-5008(180)	126,201	-
Bridge rehab & replacement	20.205	BPMP-5008(201)	3,504	-
HSIP 9-LT El Dorado/March	20.205	HSIPL-5008(183)	676,547	-
HSIP 9-LT Airport/Hazeln.	20.205	HSIPL-5008(184)	1,284,433	-
HSIP 9-Sidewlk Med Mlk Bl.	20.205	HSIPL-5008(186)	217,405	-
HSIP 9-Rec Rpd Flsh Bcons.	20.205	HSIPL-5008(185)	27,645	-
Transp Mgmt Ctr Equip Upg.	20.205	CMSTPL-5008(191)	30,979	-
Arch-airport Rd Ts	20.205	CML-5008(192)	331,051	-
West Lane Quene Cutter	20.205	STPLR-7500(289)	88,457	-
HSIP 11 EL DORADO ST PED & BIC.	20.205	HSIPL-5008(210)	1,913	-
SWAIN RD & MORGAN PL ROUNDABOUT	20.205	CRPL-5008(213)	12,459	-
Total Highway Planning and Construction Cluster:			5,404,796	-
<i>Pass-Through State of California Office of Traffic Safety:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT23181	36,887	-
State and Community Highway Safety	20.600	PT24202	116,061	-
Total Highway Safety Cluster			152,948	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23181	35,692	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT24202	156,475	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			192,167	-
<b>Total U.S. Department of Transportation</b>			5,749,911	-
<b>U.S. Treasury</b>				
<i>Direct Program:</i>				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	15,225,289	-
<i>Pass-Through State of California Department of Housing and Community Development:</i>				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	22-HK-17482	1,696,084	1,696,084
<i>Pass-Through State Water Resources Control Board</i>				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	A00155-01	1,957,881	-
Total COVID 19 - Coronavirus State and Local Fiscal Recovery Funds			18,879,254	1,696,084
<b>Emergency Rental Assistance Program:</b>				
<i>Direct Program:</i>				
Emergency Rental Assistance Program	21.023	N/A	49,858	-
Total Emergency Rental Assistance			49,858	-

**City of Stockton**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Small Business Administration</b>				
<i>Direct Program:</i>				
Congressional Earmarks Initiative	59.059	SBAHQ22I0043	7,353	-
<b>Total U.S. Small Business Administration</b>			<u>7,353</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>				
<i>Direct Program:</i>				
Brownfields Assessment and Cleanup Cooperative	66.818	99T74401	71,740	-
Water Infrastructure Finance and Innovation (WIFIA)	66.958	N/A	108,000,000	-
<b>Total U.S. Environmental Protection Agency</b>			<u>108,071,740</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
<i>Direct Program:</i>				
Assistant to Firefighters Grant (AFG)	97.044	EMW-2021-FG-00268	687,273	-
Assistant to Firefighters Grant (AFG)	97.044	EMW-2020-FG-15445	1,181,818	-
<b>Total Assistant to Firefighters Grant (AFG)</b>			<u>1,869,091</u>	<u>-</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2020-FF-01451	1,588,643	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2022-FF-01976	295,212	-
<b>Total Staffing for Adequate Fire and Emergency Response (SAFER)</b>			<u>1,883,855</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>3,752,946</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 148,067,958</u>	<u>\$ 9,457,329</u>

**City of Stockton**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

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**Note 1 – Reporting Entity**

The financial reporting entity consists of the primary government, City of Stockton, California (the “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 City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Stockton Public Financing Authority
- Fiduciary Component Unit:
  - Successor Agency of the Former Redevelopment Agency of the City of Stockton

**Note 2 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of City under programs of the federal government for the year ended June 30, 2024. 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, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of City, it is not intended to and does not present the financial position of the City. Negative amounts reflected in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 4 – Indirect Cost Rate**

The City has not elected to use the 10 percent de-minimis indirect rate as allowed under Uniform Guidance.

**Note 5 – Loan and Loan Guarantee Programs**

On September 20, 2020, the City executed a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement with the U.S. Environmental Protection Agency (EPA) to refinance 2019 Bond Anticipation Note for the Regional Wastewater Control Facility upgrades. The amounts reflected in the Schedule of Expenditures of Federal Awards represent the outstanding principal balance as of July 1, 2023.

**City of Stockton**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Section I – Summary of Auditor’s Results****Financial Statements**

Types of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

2024-001, 2024-002 and 2024-003

- Significant deficiency(ies) identified?

None Reported

Noncompliance material to financial statements noted?

No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?

2024-004, 2024-005, 2024-006, 2024-008, and 2024-009

- Significant deficiency(ies) identified?

2024-007

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster	Federal Expenditures
14.218	CDBG - Entitlement/Special Purpose Grants Cluster	\$ 8,468,881
14.231	Emergency Solutions Grants Program	321,772
14.239	HOME Investment Partnerships Program	1,580,772
21.027	Coronavirus State and Local Fiscal Recovery Funds	18,879,254
66.958	Water Infrastructure Finance and Innovation (WIFIA)	108,000,000
97.044	Assistance to Firefighters Grant	1,869,091
<b>Total Expenditures of All Major Federal Programs</b>		<b>\$ 139,119,770</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 148,067,958</b>
<b>Percentage of Total Expenditures of Federal Awards</b>		<b>93.96%</b>

Dollar threshold used to distinguish between type A and type B programs:

\$1,202,039

Auditee qualified as low-risk auditee under 2 CFR 500.520?

No

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings**

**A. Current Year Findings– Financial Statement Findings**

**2024-001 – City’s Administrative Services Department (“ASD”)**

**Criteria:**

The control environment is the foundation of an effective internal control system. It sets the tone of the organization and influences the control consciousness of its people. A strong control environment supports the achievement of strategic objectives, reliable financial reporting, operational efficiency, compliance with laws and regulations, and safeguarding of assets.

A well-functioning Administrative Services Department is essential to maintaining this environment. This includes having qualified accounting personnel, adequate segregation of duties, and sufficient oversight to ensure accurate and timely financial reporting.

**Condition:**

The City’s ASD experienced significant turnover in key finance positions and had several vacant roles during the year ended June 30, 2024. As a result, the Department encountered:

- Delays in performing timely reconciliations,
- Weaknesses in segregation of duties,
- Reduced oversight and review capacity,
- Delayed year-end close, and
- Increased reliance on audit adjustments to finalize financial statements.

**Cause:**

The primary contributing factor was the high level of staff turnover and vacant positions. Although some roles were filled later in the year, the ASD did not have sufficient capacity to effectively manage both day-to-day operations and year-end financial reporting responsibilities.

**Context and Effect:**

The staffing challenges within the ASD weakened the City’s overall control environment. These conditions increased the risk of undetected errors or irregularities, contributed to delays in financial reporting.

**Recommendation:**

We recommend that the City assess the structure and workload of the ASD to ensure efficient operations. In addition, prioritizing the recruitment and retention of qualified personnel is essential to maintaining a skilled and capable workforce. The City should also strengthen oversight and review procedures to enhance accountability and transparency. Finally, implementing staff training and succession planning will help reduce reliance on audit adjustments and promote greater consistency in financial reporting.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-002 – Internal Control Over Financial Reporting – Year-End Closing, Reconciliation, Accuracy in Financial Reporting, and Delay in Issuance of the Single Audit**

**Criteria:**

Management is responsible for the preparation and fair presentation as well as the accuracy of its financial statements including disclosures in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As part of satisfying that responsibility, management should ensure complete year-end closing and diligently produce reliable and accurate financial information.

Generally accepted auditing standards defined internal control as a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

In essence, accounting policies and procedures would aid the City in providing training for accounting personnel, communicating and providing a source of reference to approved policies, and maintaining consistency of recording financial transactions.

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awardee* (“Uniform Guidance”), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller’s Office, which include the Basic Financial Statements of the City, within the earlier of 30 days after receipt of auditor’s report, or nine months after the end of the audit period.

**Condition:**

We identified several observations on the internal controls over financial reporting and the year-end close process for the year ended June 30, 2024:

Year-End Closing:

The City’s year-end accounting close process was both delayed and heavily reliant on post-closing adjustments. Over 100 journal entries were recorded after the initial trial balance was provided in December 2024. The City did not maintain an adequate process to ensure the accuracy of balances prior to the issuance of the trial balance for an audit. We also observed that several accruals related to receivables and payables were not recorded at year end when the trial balance was provided.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-002 – Internal Control Over Financial Reporting – Year-End Closing, Reconciliation, Accuracy in Financial Reporting, and Delay in Issuance of the Single Audit (Continued)**

**Condition (Continued):**

Reconciliation & Accuracy in Financial Reporting

- Cash and Investments / Bank Reconciliation: During the audit, we noted
  - The March 2024 bank reconciliation had a \$573,587 variance with no supporting documentation.
  - The June 2024 reconciliation also had an unresolved \$60,158 variance, and outstanding checks included items that had already been voided and reissued, misstating cash by \$820,316 until it was corrected.
- Accounts Receivable, Year-End Accruals, and Deferred Revenue:
  - During subsequent cash receipts testing to validate the completeness of accounts receivable, we identified receivables totaling \$2,327,191 that were not recorded in the appropriate reporting period, which resulted in several adjusting entries. In addition, during our comparison of account balances to supporting schedules, we noted receivables totaling \$1,363,346 that did not reconcile to the underlying detail schedules, which were corrected through additional adjusting entries.
  - Additionally, during the search for unrecorded liabilities testing performed from subsequent check registers to validate the completeness of accounts payable, we noted accounts payable accruals totaling \$798,871 that were not recorded in the appropriate reporting period, resulting in two additional adjusting entries.
  - For unearned revenue and unavailable revenue, we received multiple rounds of revised supporting schedules during the audit. Differences of \$604,983 and \$5,356,229 were noted for unearned revenue and unavailable revenue, respectively, between the original and final schedules, as listed below.

Description	Original Schedule	Final Schedule	Difference
Unearned revenue	(54,679,441)	(55,284,424)	604,983
Unavailable revenue	7,848,990	2,492,761	5,356,229

- Stale Balances on Receivables, and Payables: We noted stale receivable and payable balances totaling \$497,540 and \$58,116, respectively, that remain on the City’s records and have not been periodically reviewed and resolved.
- Payroll and Related Liabilities: During the year, the City processed 5,412 retroactive payments totaling \$1,670,009 to 1,383 employees in order to correct underpayments. Additionally, during our walkthroughs and tests of controls over payroll related transaction cycle, we did not observe evidence of supervisory review and approval of timesheets, whether through electronic signoff or documented manual approval.
- Compensated Absences: Testing identified five employees whose compensatory time accruals exceeded the maximum limits established by the applicable Memoranda of Understanding. Five (5) out of eight (8) samples tested are above the maximum accrual limit for compensatory time. In total, these five (5) samples counted for 225 hours accrued in excess of the cap, representing approximately 26 percent of total compensatory time. The projected questioned cost \$5,778 in fiscal year 2024.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-002 – Internal Control Over Financial Reporting – Year-End Closing, Reconciliation, Accuracy in Financial Reporting, and Delay in Issuance of the Single Audit (Continued)**

**Condition (Continued):**

Delay in Issuance of the Single Audit:

The City has experienced significant delays in the preparation and issuance of the Single Audit required under Uniform Guidance. Due to the delay in issuance of the Single Audit report, the Data Collection Form was not submitted timely.

**Cause:**

These deficiencies were caused by many factors including no formal process in place to conduct periodic review, limited staffing capacity, turnover in key finance positions, inadequate oversight and review procedures, and system configuration issues. The Administrative Services Department prioritized daily operations, leaving insufficient resources to perform timely reconciliations, resolve variances, and implement preventive controls.

**Context and Effect:**

The delayed year-end closing process, along with the reconciliation issues and inaccuracy in financial reporting, led to the substantial number of journal entries submitted after the initial trial balance, which increased the risk that a material misstatement could go undetected.

The City is neither in compliance with Uniform Guidance nor is it meeting its current demands for external financial reporting.

**Recommendation:**

We recommend the City evaluate its staff size for Finance Division. The policy and procedures should also include the year-end closing procedures and the accounts to be reconciled in accordance with Governmental Accounting Standards Board Statements and provide training to staff to properly perform the reconciliation and closing.

For the year-end accounting closing process, the City should enhance its procedures by implementing earlier review and reconciliation steps to reduce the need for post-closing adjustments. Adequate staffing and training should be provided to ensure that trial balances are completed accurately and on time, minimizing delays in financial reporting.

Bank reconciliations should be completed on a timely basis, with all variances promptly investigated and resolved. Additionally, outstanding check listings should be regularly reviewed and updated to prevent cash from being misstated. In terms of accounts receivable, year-end accruals, and deferred revenue, the department should strengthen its procedures for recording accruals and reconciling receivable balances to supporting schedules. A systematic process should be implemented to ensure that revenues, unearned revenue, and unavailable revenue are recorded properly.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-002 – Internal Control Over Financial Reporting – Year-End Closing, Reconciliation, and Delay in Issuance of the Single Audit (Continued)**

**Recommendation (Continued):**

For stale balances on receivables and payables, any balances that remain unchanged across fiscal years should be reviewed and adjusted with appropriate supporting documentation.

For payroll and related liabilities, payroll processing controls should be enhanced to ensure that system changes are properly tested and monitored, with supervisory oversight to prevent recurring errors. Regular reviews over timesheets and payroll process should be conducted to identify any unusual or high volumes of retroactive adjustments.

For compensated absences, the payroll and accounting systems should be configured to enforce the Memorandum of Understanding limits on compensatory time. Monitoring procedures should be strengthened to promptly identify and correct any accruals that exceed established caps.

Lastly, the policy and procedures should include critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-003 – Internal Control Over Preparation and Reconciliation of Schedule of Expenditures of Federal Awards**

**Criteria:**

2 CFR 200.302(b)(1) states that the nonfederal entity must identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the assistance listing title and number, the federal award identification number and year, the name of the federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the schedule of expenditures of federal awards.

Pursuant to Code of Federal Regulation §200.510 Financial statements:

All auditees must:

(a) Financial statements. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with § 200.514(a) and prepare separate financial statements.

(b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) Provide total Federal awards expended for each individual Federal program and the assistance listing number or other identifying number when the assistance listing number information is not available. For a cluster of programs also provide the total for the cluster.

Pursuant to Code of Federal Regulation §200.514 Scope of audit:

The auditor must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-003 – Internal Control Over Preparation and Reconciliation of Schedule of Expenditures of Federal Awards (Continued)**

**Condition:**

During the audit, the City provided multiple rounds of revisions to the Schedule of Expenditures of Federal Awards (“Schedule”), which impacted the major program determination and the type A and type B threshold calculation.

During our review of the initial Schedule provided by the City, we noted that ARPA Expenditures were reported as \$35,513,281; however, the general ledger reflected expenditures of \$15,225,289. This difference changed the major program determination.

In addition, during our review of the Schedule, we noted that for ESG awards closed during the fiscal year 2024, the City’s initial SEFA and supporting expenditure listing were not complete and required subsequent revisions to align cumulative SEFA expenditures to cumulative drawdowns, leading to an adjustment of \$26,235 additional expenditures related to grant number E-20-MW-06-0026.

**Cause:**

There was insufficient coordination between the Finance Division and program personnel responsible for grant administration, and the City lacked adequate procedures to ensure the completeness and accuracy of information used for SEFA reporting.

In addition, the City did not perform timely reconciliations between cumulative SEFA expenditures and cumulative drawdowns for ESG awards during the grant period, which contributed to the need for revisions during the year end close.

**Context and Effect:**

With a vacancy in the grants department and the receipt of unprecedented COVID relief pass-through funding, the City experienced difficulty maintaining accurate and timely SEFA reporting. As a result, multiple revisions to the SEFA were required, which may affect the accuracy of major program determination and increase the risk of errors in SEFA reporting.

**Recommendation:**

We recommend frequent communication between the Finance Division and other departments in identifying federal programs. In addition, we recommend the City provide more training to both grant management staff and finance staff to enhance the skill in identifying pass through programs and ensure the accuracy and completeness of the Schedule.

We further recommend the City implement and document a periodic reconciliation, at least quarterly, between cumulative Schedule expenditures and cumulative drawdowns by award for U.S. Department of Housing and Urban Development pass through programs, including Emergency Solutions Grant awards. This reconciliation should be reviewed and approved by supervisory personnel and retained to support the accuracy and completeness of the Schedule, including amounts reported during award closeout.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**A. Current Year Findings– Financial Statement Findings (Continued)**

**2024-003 – Internal Control Over Preparation and Reconciliation of Schedule of Expenditures of Federal Awards (Continued)**

**Views of Responsible Officials and Planned Corrective Actions:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)****B. Prior Year Findings – Financial Statement Findings****2023-001 – Internal Control Over Financial Reporting – Prior Year Adjustments, Year-End Closing, Reconciliation, and Delay in Issuance of the Single Audit****Condition:**

During the year ended June 30, 2023, the City reported several corrections impacting the Net Position and Fund Balances:

1. The Governmental Activities Net Position was adjusted by \$(34,536,104) due to corrections on unavailable revenue and unearned revenue.
2. The Special Revenue Fund Balance was adjusted by \$(38,524,453) due to corrections on unavailable revenue, unearned revenue, and revenue recognition.
3. The Other Governmental Fund Balance was adjusted by \$621,346 due to corrections on revenue recognition.

During the audit, we noted stale receivables and payables to be reconciled from the subsidiary ledgers to the general ledgers.

The City has experienced significant delays in the preparation and issuance of the Single Audit required under Uniform Guidance. Due to the delay in issuance of the Single Audit report, the Data Collection Form was not submitted timely.

**Recommendation:**

We recommended the City evaluate its staff size for Finance Division. We also recommended the City update and follow its policy to review and reconcile the unavailable revenue related to grants. The policy and procedures should also include the year-end closing procedures and the accounts to be reconciled in accordance with Governmental Accounting Standards Board Statements and provide training to staff to properly perform the reconciliation and closing.

In addition, the policy and procedures should include critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates.

**Status:**

Not implemented. See current year finding 2024-002.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section II – Financial Statements Findings (Continued)**

**B. Prior Year Findings– Financial Statement Findings (Continued)**

**2023-002 – Internal Control Over Preparation of Schedule of Expenditures of Federal Awards**

**Condition:**

During the audit, the City provided multiple rounds of revisions to the Schedule of Expenditures of Federal Awards (“Schedule”), which impacted the major program determination and the type A and type B threshold calculation.

During our review of the Schedule provided by the City, we noted the Homekey Program Round 1, passed through the State of California in the amount of \$2,779,929 was excluded from the Schedule in the previous years.

**Recommendation:**

We recommended frequent communication between the Finance Division and other departments in identifying federal programs. In addition, we recommended the City provide more training to both grant management staff and finance staff to enhance the skill in identifying pass through programs and ensure the accuracy and completeness of the Schedule.

**Status:**

Not implemented. See current year finding 2024-003.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs**

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

**2024-004 – Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures**

**Identification of the Federal Program:**

Assistance Listing Number:	14.218
Assistance Listing Title:	CDBG - Entitlement/Special Purpose Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0026, B-23-MC-06-0026, B-20-MW-06-0026, Program Income

Assistance Listing Number:	14.231
Assistance Listing Title:	Emergency Solutions Grant Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	E-23-MC-06-0026, E-20-MW-06-0026

Assistance Listing Number:	21.027
Assistance Listing Title:	Coronavirus State and Local Fiscal Recovery Funds
Federal Agency:	U.S. Department of the Treasury
Pass-Through Entity:	N/A
Federal Award Identification Number:	N/A

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Total salaries charged to federal awards (including extra service pay) are subject to the Standards of Documentation as described by 2 CFR §200.430(i). Per this section, salaries and wages charged to Federal awards must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records;
- Reasonably reflect the total activity for which the employee is compensating across all grant related and non-grant related activities (100% effort);
- Support the distribution of employee salary across multiple activities or cost objectives (for example, effort spent on multiple federal awards, spent on general/or administrative activities, vacation, sick leave, leave without pay, etc.); and
- Utilize an "after-the-fact" review of the employee's actual hours worked during the reporting period for identifying and correcting significant changes (as defined by the organization's written policies).

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-004 – Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures (Continued)**

**Condition:**

CDBG - Entitlement/Special Purpose Grants Cluster

For two (2) out of forty (40) payroll samples tested, employees' benefits and compensated leave were charged to the CDBG program for the pay periods selected even though the employees did not have any actual hours charged to the program.

Emergency Solutions Grant Program (ESG)

For two (2) employees out of the seven (7) tested with ESG and ESG-CV charges, payroll-related costs were charged to the ESG program even though these employees were not included on the official budget allocation file used to support the distribution of payroll costs. The exceptions consisted of benefits and compensated leave and occurred in five (5) of twenty-three (23) total payroll transactions tested. In addition, our review of the disbursement reports during fiscal year 2024 identified three (3) additional employees with ESG or ESG-CV payroll charges who were not included on the official budget allocation file, bringing the total to five (5) employees not included on the official budget allocation file.

Coronavirus State and Local Fiscal Recovery Funds (ARPA)

Our review of the distribution reports indicated that one (1) employee who did not work on ARPA during the pay period tested had benefit costs allocated to ARPA. In addition, for one (1) out of the forty (40) employees tested, certain benefit amounts were charged twice to the ARPA program, with duplicate lines posted to the same expense account as regular salaries. The City indicated that the duplicate charges were due to a system setup error.

**Cause:**

The condition appears to have occurred because the City did not perform sufficient review procedures over payroll allocations to federal programs. Payroll charges were allowed to post based on budget allocation files and system configurations that were not regularly validated to underlying timekeeping records. In addition, system setup issues that resulted in duplicate postings of certain benefits were not identified and corrected in a timely manner.

**Effect or Potential Effect:**

As a result of these conditions, payroll and related benefit costs charged to ESG, ARPA, and CDBG was not be fully supported or was allocated properly to the respective federal programs. Federal expenditures reported to the grantor may therefore be misstated, and there is an increased risk that the City could be required to reclassify or refund portions of the costs charged to these awards.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-004 – Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures (Continued)**

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Yes. See prior year finding 2023-003.

**Recommendation:**

We recommend that the City enhance its internal controls over payroll processes by implementing policies and procedures that ensure employee compensation charged to federal programs is supported by contemporaneous or after-the-fact documentation of actual time and effort spent on federal program activities.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-005 – Procurement and Suspension, and Debarment – Internal Control and Compliance over Procurement and Verification Against the System for Award Management (“SAM”)**

**Identification of the Federal Program:**

Assistance Listing Number:	21.027
Assistance Listing Title:	Coronavirus State and Local Fiscal Recovery Funds
Federal Agency:	U.S. Department of the Treasury
Pass-Through Entity:	N/A
Federal Award Identification Number:	N/A

Assistance Listing Number:	97.044
Assistance Listing Title:	Assistance to Firefighters Grant
Federal Agency:	Department of Homeland Security
Pass-Through Entity:	N/A
Federal Award Identification Number:	EMW-2020-FG-15445, EMW-2021-FG-00268

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Suspension and Debarment, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Pursuant to 2 CFR 200.318 of the Uniform Guidance, the City is required to comply with the procurement standards, when using federal funds. These standards require non-federal entities to maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in 2 CFR 200.317 through 2 CFR 200.327. The City’s purchasing policies require that all purchases charged to the City have an authorized Purchase Order (PO) in place before an order is placed or goods are received. The policy states that if an individual attempts to make a purchase without a City PO number, the vendor must request an authorized PO number and the name and department of the individual. The purchase order number is essential for conducting business with the City and ensures proper authorization, documentation, and payment. Therefore, all transactions including orders of goods or materials regardless of cost or type must be supported by a valid, approved PO prior to purchase activity.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-005 – Procurement and Suspension, and Debarment – Internal Control and Compliance over Procurement and Verification Against the System for Award Management (“SAM”) (Continued)**

**Condition:**

Coronavirus State and Local Fiscal Recovery Funds (ARPA)

During our audit, we noted that eleven (11) out of thirty seven (37) suspension and debarment samples tested, the City did not have documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally funded purchases.

We also noted that thirty one (31) out of thirty seven (37) procurement samples tested, the City didn’t have purchase orders for these samples.

Assistance to Firefighters Grant

During our audit, we noted that two (2) out of two (2) procurement samples tested, the City did not have documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally funded purchases.

**Cause:**

The City did not have a consistent process in place to ensure that the procurement process have been followed and maintained, and to require staff maintain the proof of verification performed on checking the suspension or debarment over vendors that the City makes contracts with federally-funded projects.

**Effect or Potential Effect:**

The lack of purchase orders limits transparency into procurement process, approval, and authorization, and weakens internal controls over spending. Without verifying whether vendors are suspended or debarred from working on federally-funded projects, the City could be contracting with vendors that are prohibited from working on federally-funded projects.

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Not applicable.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-005 – Procurement and Suspension, and Debarment – Internal Control and Compliance over Procurement and Verification Against the System for Award Management (“SAM”) (Continued)**

**Recommendation:**

We recommended the City establish internal control procedures to monitor compliance requirements to ensure the procurement process is implemented and monitored, and vendors are not suspended or debarred from federally-funded purchases.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-006 – Reporting – Internal Control and Compliance over Reporting**

**Information of the Federal Program(s):**

Assistance Listing Number:	14.218
Assistance Listing Title:	CDBG - Entitlement/Special Purpose Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-20-MW-06-0026

Assistance Listing Number:	21.027
Assistance Listing Title:	Coronavirus State and Local Fiscal Recovery Funds
Federal Agency:	U.S. Department of the Treasury
Pass-Through Entity:	N/A
Federal Award Identification Number:	N/A

Assistance Listing Number:	66.958
Assistance Listing Title:	Water Infrastructure Finance and Innovation
Federal Agency:	U.S. Environmental Protection Agency
Pass-Through Entity:	N/A
Federal Award Identification Number:	N/A

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

The *OMB Compliance Supplement* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by underlying accounting information and are presented in accordance with program requirements.

*Community Development Block Grants-Entitlement Grants Cluster*

Pursuant to Guidance on Section 15011 of the CARES Act requires that recipients of \$150,000 or more of CARES Act funding submit, not later than 10 days after the end of each calendar quarter, a report containing: information regarding the amount of funds received; the amount of funds obligated or expended for each project or activity; a detailed list of all such projects or activities, including a description of the project or activity; and detailed information on any subcontracts or subgrants awarded by the recipient. This report is limited to Community Development Block Grants/Entitlement Grants Cluster - COVID-19 funding and does not include other Community Development Block Grants/Entitlement Grants Cluster funds that may be used to address coronavirus. Grantees and subrecipients have reported data meeting the Section 15011 requirements at [usaspending.gov](https://usaspending.gov). The Pandemic Response Accountability Committee (PRAC), an independent oversight committee within the Council of the Inspectors General on Integrity and Efficiency, has determined that the data reported in [usaspending.gov](https://usaspending.gov) has fulfilled these reporting requests. (“Section 15011 Report”).

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-006 – Reporting – Internal Control and Compliance over Reporting (Continued)**

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation) (Continued):**

*Coronavirus State and Local Fiscal Recovery Funds*

Quarterly Project and Expenditure Reports (QP&E) – All metropolitan cities and counties with a population that exceeds 250,000 residents that receive Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) are required to submit Project and Expenditure Reports. For these recipients, a quarterly Project and Expenditure Report must be submitted to U.S. Department of the Treasury by the last day of the month following the end of the period covered.

The due dates of each quarterly reports is noted below:

Reporting Period Covered	Grantee QP&E Submission Deadlines
July 1 - September 31, 2023	October 31, 2023
October 1 - December 31, 2023	January 31, 2024
January 1 - March 31, 2024	April 30, 2024
April 1 - June 30, 2024	July 31, 2024

The recipients are also required to disclose all current period obligations, cumulative obligations, current period expenditures, and cumulative expenditures in Quarterly Project and Expenditure Reports, as a part of the obligations and expenditures requirement.

*Water Infrastructure Finance and Innovation*

In accordance with Section 16, *Annual Financial Statements*, of the WIFIA Loan Agreement, the City is required to deliver to the WIFIA Lender, as soon as available but no later than one hundred eighty (180) days after the end of each City Fiscal Year, a copy of the audited income statement and balance sheet of the City, along with related audited statements of operations and cash flows for the fiscal year.

**Condition:**

*CDBG - Entitlement/Special Purpose Grants Cluster (CDBG)*

We noted that the City did not submit any of the four (4) quarterly Section 15011 Reports for the year ended June 30, 2024.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-006 – Reporting – Internal Control and Compliance over Reporting (Continued)**

**Condition: (Continued)**

*Coronavirus State and Local Fiscal Recovery Funds (ARPA)*

During testing of the City’s reporting under the ARPA Revenue Loss category, we noted that the City recorded \$3,570,000 in expenditures related to revenue loss that were not reported in the quarterly Project and Expenditure (P&E) reports. Additionally, the April–June 2024 P&E report, which is also included in the annual performance report, incorrectly recorded an amount in 2023 revenue loss that duplicated the same amounts reported for 2022, resulting in a change to the reported revenue loss from the previous quarter. We also noted that two out of four quarterly P&E reports required for the year ended June 30, 2024 were submitted after the required due dates as follows:

Grant / Project	Period Covered	Due Date	Submitted
SLT-3028-P&E Report-Q3 2023	July- Sept 2023	10/31/2023	11/5/2023
SLT-3028-P&E Report-Q1 2024	Jan- March 2024	4/30/2024	5/1/2024

Furthermore, the P&E report covering April–June 2024 did not include current period expenditure amounts for all projects. During our audit, we found that the City reported only \$11,867,558 in the P&E reports instead of the actual \$15,225,289 in expenditures incurred during year ended June 30, 2024.

*Water Infrastructure Finance and Innovation (WIFIA)*

During testing, we noted that the Annual Comprehensive Financial Report for year ending June 30, 2024 was dated on September 17, 2025, which was after the 180 days submission deadline (December 27, 2024).

**Cause:**

The City was not aware of the Section 15011 CARES reporting.

Lack of monitoring to ensure the timely submission of the required reports with appropriate support.

The delay in financial reporting also led to the incompliance with the WIFIA reporting requirement.

**Effect or Potential Effect:**

Delay in filing and not filing the reports resulted in noncompliance with the compliance requirements, and the errors had led to potential misstatements on the SEFA.

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-006 – Reporting – Internal Control and Compliance over Reporting (Continued)**

**Identification as a Repeat Finding, If Applicable:**

Yes. See prior year finding 2023-005.

**Recommendation:**

We recommend that the City conduct thorough research on the reports needed to be submitted and contact the grantor if there is any confusion. When a report cannot be submitted by the due date, the City should request an extension from the funding agency and maintain a record of the approval.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-007 – Special Tests and Provisions – Internal Control over Environmental Reviews**

**Information of the Federal Program(s):**

Assistance Listing Number:	14.218
Assistance Listing Title:	CDBG - Entitlement/Special Purpose Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-23-MC-06-0026

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

The *OMB Compliance Supplement* requires that recipients must perform environmental reviews in accordance with 24 CFR Part 58. The responsible entity must prepare and maintain an Environmental Review Record (ERR) that documents the environmental review and the decision-making process. Projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from RROF and environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604).

Pursuant CDBG Grants Management Manual, Chapter 3, Environmental review, The environmental certifying officer “ECO” accepts full responsibility for the completeness and accuracy of the review and compliance with applicable laws and regulations. Local officials should review the municipal liability and indemnification statutes as well as the status and coverage of local liability insurance policies when accepting responsibility under environmental laws. The responsibilities of the ECO include making findings and signing required certifications.

**Condition:**

During testing of environmental review records, one (1) of twenty one (21) environmental review records tested did not include a signature from the responsible official. Although the environmental review documentation and supporting analysis were present, the ERR lacked the required signature from the certifying official, as required by HUD regulations.

**Cause:**

Lack of internal control over the ERR to ensure the forms were properly signed and reviewed prior to approving the project activities.

**Effect or Potential Effect:**

Without a signed Environmental Review Record, the City cannot demonstrate it is in compliance with the environmental review and certification requirements under 24 CFR Part 58. This omission could potentially place the City at risk of noncompliance with federal environmental requirements and jeopardize the eligibility of the related project funded by Community Development Block Grants/Entitlement Grants (“CDBG”).

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-007 – Special Tests and Provisions – Internal Control over Environmental Reviews (Continued)**

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Not applicable.

**Recommendation:**

We recommend that the City strengthen its internal controls over environmental review documentation to ensure that all Environmental Review Records are fully completed, including the signature of the certifying official prior to project approval or commitment of CDBG funds.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-008 – Special Tests and Provisions – Internal Control and Compliance over Obligation, Expenditure, Payment Requirements**

**Identification of the Federal Program:**

Assistance Listing Number:	14.231
Assistance Listing Title:	Emergency Solutions Grant Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	E-21-MC-06-0026, E-22-MC-06-0026

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Pursuant to May 2024 Compliance Supplement, Special Tests and Provisions – Obligation, Expenditures and Payment Requirements:

Obligation-ESG funds allocated to metropolitan cities, urban counties, and territories. Within 180 days after the date that HUD signs the grant agreement (or a grant amendment for reallocation of funds) with a metropolitan city, urban county, or territory, the recipient must obligate all of the grant amount, except the amount for its administrative costs.

ESG-CV funds must be obligated by the recipient in accordance with 24 CFR 576.203(a)(1) and (2), except as provided below. The applicable period for obligating ESG-CV funds begins on the date HUD signed the recipient's grant agreement for the first allocation of ESG-CV funds. The obligation deadlines below apply to both the first and second allocations of ESG-CV funds. HUD is also providing further flexibility for recipients (including states and non-states) by allowing additional time to identify entities that have the capacity and expertise to mitigate the impacts of coronavirus, including entities that have not previously or recently received ESG funding.

- a. Recipients that are metropolitan cities, urban counties, or territories may have up to 240 days from the date HUD signs the grant agreement to obligate ESG-CV funds. Recipients must maintain in their program records a description of any changes the recipient implemented to identify and select new subrecipients.

Payments to Subrecipients. The recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient's complete payment request. This requirement also applies to each subrecipient that is a unit of general-purpose local government (24 CFR section 576.203).

**Condition:**

During our audit, we noted that for four (4) out of five (5) total sub-recipients tested this year, the ESG Grant Fund obligated to sub-recipients under obligation testing were outside of the obligation timeframe of 180 days in case of ESG and 240 days in case of ESG CV without further justifications.

In addition, we noted two (2) out of third (3) samples selected for payment requirements testing were outside of 30 days window without further justifications.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-008 – Special Tests and Provisions – Internal Control and Compliance over Obligation, Expenditure, Payment Requirements (Continued)**

**Cause:**

The City does not have formal policies and procedures in place to obligate the funds within the required timeframe nor complete the subrecipient's payment request within 30 days. In addition, the City did not have procedures in place to timely request grantor extensions and/or document exceptions that are outside of uniform guidance.

**Effect or Potential Effect:**

The exceptions noted resulted in noncompliance.

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Yes. See prior year finding 2023-006.

**Recommendation:**

We recommended the City establish internal control procedures to monitor compliance requirements to ensure the subrecipient's payment requests are processed timely.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-009 – Special Tests and Provisions – Internal Control and Compliance over Housing Quality Standards**

Assistance Listing Number:	14.239
Assistance Listing Title:	HOME Investment Partnerships Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	M-17-MC-06-0221, M-21-MC-06-0221, M-22-MC-06-0221, M-21-MP-06-0221

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Pursuant to 24 CFR 92.209(i), 92.251(f), and 92.504(d), 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.

**Condition:**

During our audit, we noted that the City has not performed any housing inspections required under the HOME Investment Partnerships Program since 2019, citing staff shortages as the reason for nonperformance.

**Cause:**

The City did not perform housing inspections due to staffing issues and lack of adequate resources allocated to the compliance function.

**Effect or Potential Effect:**

Failure to conduct required housing inspections increases the risk that HOME-assisted units do not meet federal property standards, potentially resulting in noncompliance with program requirements and exposure to questioned costs or repayment obligations.

**Questioned Costs:**

None.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

Not applicable.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2024-009 – Special Tests and Provisions – Internal Control and Compliance over Housing Quality Standards (Continued)**

**Recommendation:**

The City should implement procedures to ensure timely housing inspections in accordance with HOME Program requirements. This includes allocating sufficient staff resources, establishing a monitoring schedule, and documenting all inspections performed. If staffing limitations persist, the City should consider temporary contracting or interdepartmental support to meet compliance obligations.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

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

**2023-003 – Allowable Costs/Cost Principles – Internal Control over Payroll Expenditures**

**Identification of the Federal Program:**

Assistance Listing Number:	14.231
Assistance Listing Title:	Emergency Solutions Grant Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	E-20-MW-06-0026, E-21-MC-06-0026, E-22-MC-06-0026

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants-Entitlement Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-20-MW-06-0026, B-21-MC-06-0026, B-22-MC-06-0026, B-23-MC-06-0026 Program Income

**Condition:**

Emergency Solutions Grant Program

The City was unable to locate and provide the timesheets for (2) out of eleven (11) samples tested with Payroll Cost allocated to the Program. Within the overall population of a hundred and five (105) lines of ESG and ESG-CV payroll charges, the City also had four (4) unsupported employee benefits charged to the program has benefit charged to program.

Community Development Block Grants-Entitlement Grants Cluster

Payroll costs for eighteen (18) out of forty (40) samples tested were allocated to programs were not supported by approved time samples or updated cost allocation methods/plan, nor were they reconciled to actual time spent on the various programs.

**Recommendation:**

We recommended that the City enhance its internal controls over payroll processes by implementing policies and procedures that ensure employee compensation charged to federal programs is supported by contemporaneous or after-the-fact documentation of actual time and effort spent on federal program activities. Additionally, all supporting documentation should be properly saved.

**Status:**

Not implemented. See finding 2024-004.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2023-004 – Eligibility – Internal Control Over Eligibility**

**Identification of the Federal Program:**

Assistance Listing Number:	21.023
Assistance Listing Title:	Emergency Rental Assistance Program
Federal Agency:	Department of Treasury
Pass-Through Entity:	State of California Department of Finance
Federal Award Identification Number:	N/A

**Condition:**

During our audit, we noted five (5) samples out of nine (9) samples selected for the eligibility requirement testing with internal control deficiency related to the income eligibility verification. The city failed to collect the zero income attestation document from applicant. The amount of income shown in documents uploaded by applicant was different from the amount shown in application/system, check box for income verification was not ticked off by supervisor though the verification was completed. However, we recalculated those five applicants' income based on the income verification support provided and those applicants were eligible to receive the grant subsidy based on the income limit.

**Recommendation:**

We recommended the City enhance its internal control by implementing policies and procedures over eligibility requirement

**Status:**

During the year ended June 30, 2024, the program expenditures consisted solely of payroll costs. No other types of expenditures were incurred during the period; therefore, the eligibility testing noted in the prior finding was not applicable. Based on the nature of current-year program activity, the prior-year finding is considered resolved as of June 30, 2024.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2023-005 – Reporting – Internal Control and Compliance over Reporting**

**Information of the Federal Program(s):**

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants-Entitlement Grants Cluster
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-20-MW-06-0026

**Condition:**

As a result of our test work, we noted that the City did not submit any of the four (4) quarterly Section 15011 Reports for the year ended June 30, 2023.

**Recommendation:**

We recommended that the City conduct thorough research on the reports needed to be submitted and contact the grantor if there is any confusion. When a report cannot be submitted by the due date, the City should request an extension from the funding agency and maintain a record of the approval.

**Status:**

Not implemented. See finding 2024-006.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2024**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2023-006 – Special Tests and Provisions – Internal Control and Compliance over Obligation, Expenditure, Payment Requirements**

**Identification of the Federal Program:**

Assistance Listing Number:	14.231
Assistance Listing Title:	Emergency Solutions Grant Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	E-20-MW-06-0026, E-21-MC-06-0026, E-22-MC-06-0026

**Condition:**

During our audit, we noted that the ESG Grant Fund obligated to sub-recipients under obligation testing were outside of the obligation timeframe of 180 days in case of ESG and 240 days in case of ESG CV without further justifications.

In addition, we noted two (2) out of seven (7) samples selected for payment requirements testing were outside of 30 days window without further justifications.

**Recommendation:**

We recommended the City establish internal control procedures to monitor compliance requirements to ensure the subrecipient's payment requests are processed timely.

**Status:**

Not implemented. See finding 2024-008.