

City of Stockton

Stockton, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2022

**City of Stockton
Single Audit Report
For the Year Ended June 30, 2022**

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200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

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 Auditors' 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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

To the Honorable Mayor and Members of City Council
of the City of Stockton
Stockton, California
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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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 required 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
January 30, 2023



200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

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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 Auditors' 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, 2022. The City's major federal programs are identified in the summary of auditors' 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, 2022.

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 Auditors' 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
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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 2022-005 and 2022-006. 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

To the Honorable Mayor and Members of City Council
of the City of Stockton
Stockton, California
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However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003, 2022-004, 2022-005, and 2022-006, to be significant deficiencies.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 30, 2023, 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.



Santa Ana, California
May 9, 2023, except for the Schedule of Expenditures of Federal Awards, which is as of January 30, 2023.

City of Stockton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
<i>Direct Program:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0026	\$ 62,140	\$ 62,140
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0026	370,111	370,111
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0026	2,807,169	-
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0026	408,172	408,172
Community Development Block Grants/Entitlement Grants	14.218	Program Income	101,732	-
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-06-0026	323,601	187,315
Neighborhood Stabilization Program	14.218	B-08-MN-060009	2,090	-
Neighborhood Stabilization Program	14.218	B-11-MN-060009	2,315	-
Total CDBG - Entitlement Grants Cluster			4,077,330	1,027,738
Emergency Solutions Grant Program	14.231	E-20-MC-06-0026	107,570	107,570
Emergency Solutions Grant Program	14.231	E-21-MC-06-0026	239,717	228,407
COVID-19 Emergency Solutions Grant Program	14.231	E-20-MW-06-0026	4,888,469	3,196,890
Total Emergency Solutions Grant Program			5,235,756	3,532,867
HOME Investment Partnership Program	14.239	M-21-MC-06-0221	143,410	-
HOME Investment Partnership Program	14.239	M-20-MC-06-0221	296,603	-
HOME Investment Partnership Program	14.239	M-21-MC-06-0221	303,397	-
Total HOME Investment Partnership Program			743,410	-
Total U.S. Department of Housing and Urban Development			10,056,496	4,560,605
U.S. Department of Justice				
<i>Direct Program:</i>				
COVID - 19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1296	701,682	-
Total Coronavirus Emergency Supplemental Funding			701,682	-
Community-Based Violence Prevention Program	16.123	2020-PB-BX-0021	31,625	-
Total Community-Based Violence Prevention Program			31,625	-
<i>Pass-Through San Joaquin County District Attorney's Office:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0823	30,808	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0623	63,408	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0458	127,088	-
Total Edward Bryne Memorial Justice Assistance Grant Program			221,304	-
Total U.S. Department of Justice			954,611	-
U.S. Department of Transportation				
<i>Pass-Through State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Filbert/Miner Traffic Sig	20.205	CML-5008(130)	6,465	-
West Lane Ped Access Imp	20.205	HSIPL-5008(136)	665,939	-
Bus Rapid Transit 1-B	20.205	CML-5008(148)	9,225	-
BUS RAPID TRANSIT 1-B	20.205	CML-5008(188)	555,378	-
BUS RAPID TRANSIT V	20.205	CML-5008(149)	12,301	-
INSTALL/UPGRADE BIKE FAC	20.205	CML-5008(150)	167,999	-
THORNTON @ HAMMER & LOWER SAC	20.205	CML-5008(156)	558,743	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Stockton
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (continued)				
<i>Pass-Through State of California Department of Transportation (Continued):</i>				
<i>Highway Planning and Construction Cluster (Continued):</i>				
BRIDGE REHAB/REPLACEMENT	20.205	BPMP-5008(157)	7,548	-
HAWK PED SIGNAL INSTALL 7	20.205	HSIPL-5008(151)	180,570	-
GUARDRAIL, TRANSITION RAIL	20.205	HSIPL-5008(152)	188,200	-
MINER AVE COMP ST IMPR PH1	20.205	ATPL-5008(158)	885,094	-
HUNTER ST DIET/BIKE INSTL	20.205	HSIPL-5008(155)	5,328	-
WEST LN TRAF SIG CONTROL SYS	20.205	CML-5008(165)	11,938	-
HIGH FRICTION TREATMENT	20.205	HSIPL-5008(153)	637,167	-
BEAR CREEK/PIXLEY SLOUGH BIKE	20.205	CML-5008-(175)	(3,802)	-
CLOSING GAPS TO SCHOOL	20.205	ATPCML-5008-(178)	1,148,471	-
HSIP 8-CONVT SIGNL FR PED	20.205	HSIPL-5008(166)	35,745	-
HSIP 8-INSTALL GUARDRAILS	20.205	HSIP-5008(168)	11,406	-
HSIP 8-INSTALL PED XNG 9	20.205	HSIPL-5008(161)	(23,990)	-
HSIP 8-RAISED MED @ MLK	20.205	HSIPL-5008(167)	73,453	-
HSIP 8-RAISED MED @ PACIFIC	20.205	HSIPL-5008(164)	9,945	-
HSIP 8-RAISED MED @ EL DORADO	20.205	HRRRL-5008(163)	734	-
HSIP 8-ROAD DIET @ EL DORADO	20.205	HSIPL-5008(162)	2,621	-
LT TURN ADD @ VARIOUS LOC	20.205	CML-5008(169)	(102,038)	-
LINCOLN/ 8TH ROUNDABOUT	20.205	CML-5008(176)	13,610	-
MARCH LN EBMUD BIKE & PED	20.205	CML-5008(179)	10,634	-
MONTAUBAN/HAMMERTOWN RND	20.205	CML-5008(174)	6,488	-
PACIFIC/MARCH INTRSEC MOD	20.205	CML-5008(181)	5,301	-
REALTIME TRAFFIC FLOW MONITOR	20.205	CML-5008(180)	29,285	-
TAM O'SHANTER/KNICKERBOCK	20.205	CML-5008(173)	555,540	-
HSIP 9-LT EL DORADO/MARCH	20.205	HSIPL-5008(183)	(1,143)	-
HSIP 9-LT AIRPORT/HAZELTN	20.205	HSIPL-5008(184)	10,041	-
HSIP 9-SIDEWLK MED MLK BL	20.205	HSIPL-5008(186)	10,551	-
HSIP 9-REC RPD FLSH BCONS	20.205	HSIPL-5008(185)	1,521	-
19-20 ST RESURFAC ON FED	20.205	STPL-5008(190)	2,047,268	-
TRANSP MGMT CTR EQUIP UPG	20.205	CML-5008(191)	75,132	-
ARCH-AIRPORT RD TS SYNCH	20.205	CML-5008(192)	33,989	-
ALPINE & ALVARADO 3-WY TS	20.205	CML-5008(193)	23,424	-
Total Highway Planning and Construction Cluster:			<u>7,866,081</u>	<u>-</u>
<i>Pass-Through State of California Office of Traffic Safety:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	PT22087	83,603	-
State and Community Highway Safety	20.600	PT21067	12,163	-
Total State and Community Highway Safety			<u>95,766</u>	<u>-</u>
Coronavirus Emergency Supplemental Funding Program	20.616	TR22010	24,800	-
Total Highway Safety Cluster			<u>120,566</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22087	156,232	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21067	109,123	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>265,355</u>	<u>-</u>
Total U.S. Department of Transportation			<u>8,252,002</u>	<u>-</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Stockton
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Treasury				
<i>Direct Program:</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	11,071,923	-
<i>Pass-Through State of California State Water Resources Control Board:</i>				
CA WasteWater Arrearage Payment Program	21.027	N/A	2,032,055	-
CA Water Arrearage Payment Program	21.027	N/A	1,567,612	-
Total Coronavirus State and Local Fiscal Recovery Funds			<u>14,671,590</u>	<u>-</u>
Emergency Rental Assistance Program:				
<i>Direct Program:</i>				
Emergency Rental Assistance	21.023	N/A	18,547,416	-
Passed through the State of California Department of Housing and Community Development:				
Emergency Rental Assistance	21.023	N/A	18,614,118	-
Total Emergency Rental Assistance			<u>37,161,534</u>	<u>-</u>
Total U.S. Treasury			<u>51,833,124</u>	<u>-</u>
U.S. Small Business Administration				
<i>Direct Program:</i>				
Shuttered Venue Operators Grant Program	59.075	SBAHQ21SV009148	239,428	-
Total U.S. Small Business Administration			<u>239,428</u>	<u>-</u>
U.S. Environmental Protection Agency				
<i>Direct Program:</i>				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.818	99T74401	187,962	-
Water Infrastructure Finance and Innovation (WIFIA)	66.958	N/A	108,000,000	-
Total U.S. Environmental Protection Agency			<u>108,187,962</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Direct Program:</i>				
Assistant to Firefighters Grant (AFG)	97.044	EMW-2018-FO-04270	202,845	-
COVID-19 Assistant to Firefighters Grant (AFG)	97.044	EMW-2020-FG-00464	1,181,818	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2020-FF-01451	353,230	-
Total Assistant to Firefighters Grant (AFG)			<u>1,737,893</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,737,893</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 181,261,516</u>	<u>\$ 4,560,605</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Stockton
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 4 - Indirect Cost Rate

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

City of Stockton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I – Summary of Auditors’ 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? 2022-002
- Significant deficiency(ies) identified? 2022-001

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2022-003 to 2022-006

Type of auditors’ 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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.231	Emergency Solutions Grants Program	\$ 5,235,756
20.205	Highway Planning and Construction Cluster	7,866,081
21.023	Emergency Rental Assistance Program	37,161,534
21.027	Coronavirus State and Local Fiscal Recovery Funds	14,671,590
66.958	Water Infrastructure Finance and Innovation (WIFIA)	108,000,000
	Total Expenditures of All Major Federal Programs	\$ 172,934,961
	Total Expenditures of Federal Awards	\$ 181,261,516
	Percentage of Total Expenditures of Federal Awards	95.41%

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

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

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statements Findings

A. Current Year Findings– Financial Statement Findings

2022-001 – Internal Control Over Financial Reporting – Prior Year Adjustments, Year-End Closing, Reconciliation, 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; 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 – affected by the Members of City Council, management, and other personnel – 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 essences, 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 Awardees* (“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 month after the end of the audit period.

Condition:

During the year ended June 30, 2022, the Successor Agency to the Redevelopment Agency reported a correction of cash with fiscal agent in the amount of \$1,868,468 and the adjustment resulted in the net position restatement from \$(59,008,834) to \$(60,877,302).

During the audit, we noted stale receivable and payable 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 is not submitted timely.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statements Findings (Continued)**A. Current Year Findings– Financial Statement Findings (Continued)****2022-001 – Internal Control Over Financial Reporting – Prior Year Adjustments, Year-End Closing, Reconciliation, and Delay in Issuance of the Single Audit (Continued)****Cause:**

There is no formal process in place to conduct periodic review and reconciliation of the sub-ledger to the general ledger. Furthermore, detailed review and reconciliation of the general ledger balances from the old financial system (HTE) to the current financial system (MUNIS) is incomplete.

Context and Effect:

A prior period adjustment is reported as noted in the Condition. Without further reviewing and reconciling the time of the transition from the old financial system to the Munis, stale receivable and payable could result in material misstatement of the financial statements.

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. We also recommend the City update and follow its policy to review and reconcile the general ledger. 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.

Views of Responsible Officials:

Management concurs the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statements Findings (Continued)**A. Current Year Findings– Financial Statement Findings (Continued)****2022-002 – Internal Control Over Preparation 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:

(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:

- (b) Financial statements. 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, 2022

Section II – Financial Statements Findings (Continued)**A. Current Year Findings– Financial Statement Findings (Continued)****2022-002 – Internal Control Over Preparation of Schedule of Expenditures of Federal Awards (Continued)****Condition:**

During our review of the Schedule of Expenditures of Federal Awards (“Schedule”) provided by the City, we noted the Emergency Rental Assistance Program, passed through the State of California in the amount of \$18,614,118 were excluded in the Schedule.

During the audit, there were multiple rounds of revisions to the Schedule that were provided by the City. Included in the revision was the Federal related expenditures for the American Rescue Plan Act, that passed through the California State Water Resource Control Board, in the amount of \$3,599,667, which was initially excluded from the Schedule.

Cause:

There was insufficient communication between the Finance Division and project managers overseeing the federal programs and inadequate training to correctly identify funding sources.

Context and Effect:

With a vacancy in the grants department and receipt of unprecedented COVID relief pass through funding, this challenged the departments with insufficient knowledge of the proper reporting processes.

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.

Views of Responsible Officials:

Management concurs the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statements Findings (Continued)

B. Prior Year Findings – Financial Statement Findings

No prior year financial statement findings and questioned costs were noted.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section III – Federal Awards Finding and Questioned Costs

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

2022-003 - 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

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

Pursuant to the April 2022 Compliance Supplement, Eligibility:

This approach to eligibility was implemented in accordance with Consolidated Appropriations Act, 2021, for ERA 1 in sections 501(c)(2)(C)(ii) of the Act concerning documentation of payments to households, sections 501(f)(2)(A) and (B) of the Act concerning signature requirements for applications and documentation required for tenants, section 501(k)(1) concerning area median income determinations, and sections 501(k)(3)(A)(I) and (II) concerning eligible household determinations and attestation requirements. This treatment is further explained in the ERA FAQs; the Consolidated Appropriations Act, 2021; and the Treasury, Department of Justice and Department of Housing and Urban Development joint letter issued August 27, 2021 (<https://home.treasury.gov/system/files/136/Eviction-Moratorium-Joint-Letter.pdf>).

To the extent that a grantee has established and consistently followed its own reasonable procedures for implementing an eligibility determination process, consistent with Treasury’s guidance, it is not Treasury’s expectation that grantees should seek additional documentation from a beneficiary after the initial determination of eligibility has been completed, including for those determined to be eligible using self-attestation, categorical eligibility, or fact-specific proxies in qualifying circumstances. Testing of individual household eligibility-related documentation should be limited to material already collected by the grantee during application as much as possible to avoid imposing undue burden on households that remain at risk of housing instability.

Condition:

During our audit, we noted 4 samples out of 40 samples selected for the eligibility requirement testing with internal control deficiency related to the income eligibility verification. The application reviewer made errors on data input and reported those applicants’ income as zero instead of the actual income provided by the applicants. However, we recalculated those four applicants’ income based on the income verification support provided and those applicants were eligible to receive the grant subsidy based on the income limit.

Cause:

The City did not have proper internal controls in place to review the data input performed by the application reviewer.

Effect or Potential Effect:

The City could potentially be out of compliance with the eligibility requirement due to the error in executing the internal control procedures.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-003 - Eligibility – Internal Control Over Eligibility (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 the City enhance its internal control by implementing policies and procedures over eligibility requirement.

Views of Responsible Officials:

Management concurs the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-004 - Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”)

Identification of the Federal Program (s):

Assistance Listing Number:	20.205
Assistance Listing Title:	Highway Planning and Construction
Federal Agency:	Department of Transportation
Pass-Through Entity:	State of California Department of Transaction
Federal Award Identification Number:	Refer to the Schedule

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

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).

Condition:

During our audit, we noted that 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 does not have a process in place 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.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-004 - Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”) (Continued)

Effect or Potential Effect:

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.

Recommendation:

We recommended the City establish internal control procedures to monitor compliance requirements to ensure vendors are not suspended or debarred from federally-funded purchases.

Views of Responsible Officials:

Management concurs the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-005 – Reporting – Internal Control and Compliance over Reporting

Identification of the Federal Program:

Assistance Listing Number:	66.958
Assistance Listing Title:	Water Infrastructure Finance and Innovation (WIFIA)
Federal Agency:	United States Environmental Protection Agency
Pass-Through Entity:	N/A
Federal Award Identification Number:	N/A

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

Pursuant to the WIFIA Loan Agreement between the City and the Environmental Protection Agency, Section 16. Reporting Requirement, below reporting are required:

- (a) Updating Financial Model: The City shall provide to the WIFIA Lender not later than one hundred eighty (180) days after the beginning of each City Fiscal Year, an updated Base Case Financial Model reflecting the then-current and projected conditions.
- (b) Annual Financial Statements. The City shall 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.
- (c) Reserved
- (d) Construction Reporting. The WIFIA Lender shall have the right in its sole discretion to monitor (or direct its agents to monitor) the development of the Project, including environmental compliance, design, and construction of the Project. The City shall be responsible for administering construction oversight of the Project in accordance with applicable federal, state and local governmental requirements. The City agrees to cooperate in good faith with the WIFIA Lender in the conduct of such monitoring by promptly providing the WIFIA Lender with such reports, documentation or other information as shall be requested by the WIFIA Lender or its agents, including any independent engineer reports, documentation or information. During the period through Substantial Completion of the Project, the City shall furnish to the WIFIA Lender, on a quarterly basis, a report on the status of the Project, substantially in the form of Exhibit K (Form of Quarterly Report). The report shall be executed by the City's Authorized Representative and, for any quarter, shall be delivered to the WIFIA Lender within thirty (30) days following such quarter (or if such day is not a Business Day, on the next following Business Day). If the then-current projection for the Substantial Completion Date is a date later than the Projected Substantial Completion Date, the City shall provide in such report a description in reasonable detail to the reasonable satisfaction of the WIFIA Lender of the reasons for such projected delay, an estimate of the impact of such delay on the capital and operating costs of the System (if any), and that the new date could not reasonably be expected to result in a Material Adverse Effect.
- (e) Public Benefits Report. The City shall deliver to the WIFIA Lender a report, in the form of Exhibit L (Form of Public Benefits Report) later than thirty (30) days prior to the Effective Date, (ii) within ninety (90) days following the Substantial Completion Date and (iii) within ninety (90) days following the fifth (5th) anniversary of the Substantial Completion Date. The City agrees that information described under this Section 16(e) may be made publicly available by the WIFIA Lender at its discretion.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-005 – Reporting – Internal Control and Compliance over Reporting (Continued)

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

- (f) Modifications to Total Project Costs. For the period through the Substantial Completion Date, the City shall provide the WIFIA Lender with written notification at least thirty (30) days prior to instituting any increase or decrease to the aggregate Total Project Costs in an amount equal to or greater than five percent (5%), which notification shall set forth the nature of the proposed increase or decrease and an estimate of the impact of such increase or decrease on the capital costs and operating costs of the System. The City's notice shall demonstrate that the proposed increase or decrease is consistent with the provisions of this Agreement, is necessary or beneficial to the Project City ability to comply with its obligations under the Related Documents (including any financial ratios or covenants included therein), and could not reasonably be expected to result in a Material Adverse Effect.
- (g) Operations and Maintenance. The WIFIA Lender shall have the right, in its sole discretion, to monitor (or direct its agents to monitor) the Project's operations and, as the WIFIA Lender may request from time to time, to receive reporting on the operation and management of the Project, and copies of any contracts relating to the operation and maintenance of the Project. The City agrees to cooperate in good faith with the WIFIA Lender in the conduct of such monitoring by promptly providing the WIFIA Lender with such reports, documentation, or other information requested by the WIFIA Lender. The WIFIA Lender has the right, in its sole discretion, to retain such consultants or advisors, to carry out the provisions of this Section 16(g). On or prior to the Substantial Completion Date, the City shall deliver to the WIFIA Lender an operations and maintenance manual with respect to the Project, in form and substance reasonably acceptable to the WIFIA Lender.
- (h) Notices.
- a. The City shall, within fifteen (15) days after the City learns of the occurrence, give the WIFIA Lender notice of any of the following events or receipt of any of the following notices, as applicable, setting forth details of such event:
 - i. Substantial Completion
 - ii. Defaults; Events of Default
 - iii. Litigation
 - iv. Delayed Governmental Approvals
 - v. Environmental Notices
 - vi. Amendments
 - vii. Related Document Defaults
 - viii. Uncontrollable Force
 - ix. Ratings Changes
 - x. 2 C.F.R. § 180.350 Notices
 - xi. Additional Principal Project Contracts
 - xii. Issuance of System Obligations
 - xiii. Postings on EMMA
 - xiv. Other Adverse Events
 - xv. Draws on WIFIA Reserve Account

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-005 – Reporting – Internal Control and Compliance over Reporting (Continued)

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

(h) Notices. (Continued)

- a. Within thirty (30) calendar days after the City learns of the occurrence of an event specified in clause (i) above (other than sub-clauses (A) (Substantial Completion), (F) (Amendments) or (I) (Ratings Changes) (in the case of a ratings upgrade)), the City's Authorized Representative shall provide a statement to the WIFIA Lender setting forth the actions the City proposes to take with respect thereto. The City shall also provide the WIFIA Lender with any further information reasonably requested by the WIFIA Lender from time to time concerning the matters described in clause (i) above.

- (i) Requested Information. The City shall, at any time while the WIFIA Loan remains outstanding, promptly deliver to the WIFIA Lender such additional information regarding the business, financial, legal or organizational affairs of the City or regarding the Project or the System Revenues as the WIFIA Lender may from time to time reasonably request.

Condition:

During the audit, we noted that the City was not aware of the reporting requirements from the loan agreements and only filed the Construction Reporting.

Cause:

The City was not familiar with the loan agreement reporting requirements.

Effect or Potential Effect:

Without filing all the required reports by the loan agreement resulted in noncompliance.

Questioned Costs:

None.

Context:

See condition above for the context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City establish internal control procedures to monitor compliance requirements to make sure the required reports are filed properly and timely.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-005 – Reporting – Internal Control and Compliance over Reporting (Continued)

Views of Responsible Officials:

Management concurs the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

2022-006 – 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-MC-06-0026, E-21-MC-06-0026, E-20-MW-06-0026

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

Pursuant to April 2022 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 the both the first and second allocation of ESG-CV funds. HUD is also providing further flexibility for recipients (including states and non-states) to provide additional time to identify entities that have capacity and expertise to mitigate the impacts of coronavirus, including those who 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 two out of nine samples selected for obligation testing were outside of the obligation without further justifications.

In addition, we noted three out of forty 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, 2022

Section III – Federal Awards Finding and Questioned Costs (Continued)**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)****2022-006 – 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:

Not applicable.

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 the finding.

City of Stockton
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

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

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

No prior year findings were noted.