



CITY OF ANAHEIM, CALIFORNIA

Single Audit Reports

June 30, 2021

(With Independent Auditors' Report Thereon)

CITY OF ANAHEIM, CALIFORNIA

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KPMG LLP
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Los Angeles, CA 90071-2629

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

The Honorable Mayor and City Council
City of Anaheim, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anaheim, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2021.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

KPMG LLP

Los Angeles, California
December 22, 2021



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

The Honorable Mayor and City Council
City of Anaheim, California:

Report on Compliance for Each Major Federal Program

We have audited the City of Anaheim, California's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified and modified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Eligibility – Home Investment Partnership Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding ALN 14.239 Home Investment Partnership Program as described in finding number 2021-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Eligibility – Home Investment Partnership Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Home Investment Partnership Program for the year ended June 30, 2021.



Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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

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



Report on Schedule of Expenditures of Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Los Angeles, California
September 27, 2022

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2021 Expenditures	Amounts passed to subrecipients
Department of Housing and Urban Development:				
Community Development Block Grants (CDBG) Entitlement Grants Cluster:				
Direct Programs:				
Community Development Block Grant/Entitlement Grant	14.218	B-14-MC-060501	\$ 1,891,089	—
Community Development Block Grant/Entitlement Grant	14.218	B-16-MC-060501	52,630	—
Community Development Block Grant/Entitlement Grant	14.218	B-17-MC-060501	66,223	—
Community Development Block Grant/Entitlement Grant	14.218	B-18-MC-060501	5,404	—
Community Development Block Grant/Entitlement Grant	14.218	B-19-MC-060501	174,069	—
Community Development Block Grant/Entitlement Grant	14.218	B-20-MC-060501	3,932,465	324,286
COVID-19 Community Development Block Grant/Entitlement Grant – CV	14.218	B-20-MW-060501	2,311,378	—
Total Community Development Block Grants -Entitlement Grants Cluster			8,433,258	324,286
Direct Programs:				
Housing Opportunities for Persons with AIDS	14.241	CAH17-F010	4,370	4,370
Housing Opportunities for Persons with AIDS	14.241	CAH18-F010	290,102	197,546
Housing Opportunities for Persons with AIDS	14.241	CAH19-F010	339,401	339,401
Housing Opportunities for Persons with AIDS	14.241	CAH20-F010	872,697	122,960
COVID-19 Housing Opportunities for Persons with AIDS -CV	14.241	CAH20-FHW010	274,725	262,900
			1,781,295	927,177
Direct Programs:				
Emergency Shelter Grant (ESG)	14.231	E-19-MC-06-0501	1,080,354	72,316
Emergency Shelter Grant (ESG)	14.231	E-20-MC-06-0501	190,457	170,915
COVID-19 Emergency Shelter Grant (ESG) – CV	14.231	E-20-MW-06-0501	1,250,162	1,179,177
			2,520,973	1,422,408
Direct Programs:				
Home Investment Partnerships Program (HOME)	14.239	M-15-MC060502	2,216,948	15,000
Home Investment Partnerships Program (HOME)	14.239	M-16-MC060502	91,970	2,430
Home Investment Partnerships Program (HOME)	14.239	M-17-MC060502	497,230	347,161
Home Investment Partnerships Program (HOME)	14.239	M-18-MC060502	382,355	382,355
Home Investment Partnerships Program (HOME)	14.239	M-19-MC060502	36,518	31,399
Home Investment Partnerships Program (HOME)	14.239	M-20-MC060502	136,055	—
			3,361,076	778,345
Direct Programs:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA104VO/CA104AF	84,311,798	—
Section 8 Housing Choice Vouchers (Emergency Housing Vouchers)	14.871	CA104EP/CA104ES	14,301	—
COVID-19 Section 8 Housing Choice Voucher (CARES Act Funding)	14.871	CA104VO/CA104AF	6,438,640	—
Mainstream Vouchers	14.879	CA104DV/CA1048F	4,205,054	—
COVID-19 Mainstream Vouchers (CARES Act Funding)	14.879	CA104DV/CA1048F	123,972	—
Total Housing Voucher Cluster			95,093,765	—
PIH Family Self-Sufficiency Program	14.896	FSS20CA3043/FSS21CA4046	78,659	—
Total Department of Housing and Urban Development			111,269,026	3,452,216

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2021 Expenditures	Amounts passed to subrecipients
Department of Labor:				
WIOA Cluster:				
Passed through County of Orange Department of Community Resources: WIOA Adult Program (Regional Organizers/Regional Training Coordinators)	17.258	18-28-0041-RWS	\$ 13,324	—
Passed through California Employment Development Department: WIOA Adult Program	17.258	AA011002	667,922	—
			<u>681,246</u>	<u>—</u>
WIOA Youth Activities	17.259	AA011002	21,719	21,719
WIOA Youth Activities	17.259	AA111002	500,685	240,416
WIOA Youth Activities	17.259	AA211002	2,581	—
			<u>524,985</u>	<u>262,135</u>
WIOA Dislocated Workers Formula Grants	17.278	AA111002	439,517	—
WIOA Dislocated Workers Formula Grants (Rapid Response/Layoff Aversion)	17.278	AA011002	2,432	—
WIOA Dislocated Workers Formula Grants (Rapid Response/Layoff Aversion)	17.278	AA111002	130,129	—
COVID-19 WIOA Dislocated Workers Formula Grants (Underserved COVID-19 Impacted Individual)	17.278	AA011002	5,772	—
Total WIOA Cluster			<u>577,850</u>	<u>—</u>
			1,784,081	262,135
Passed through California Employment Development Department: WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA011002	481,777	—
Total Department of Labor			<u>2,265,858</u>	<u>262,135</u>
Department of Health and Human Services:				
Temporary Assistance for Needy Families (TANF) Cluster:				
Passed through Orange County Social Services Agency: Temporary Assistance for Needy Families (Community Services- CalWorks)	93.558	WGM2019	599,055	—
Temporary Assistance for Needy Families (Ending the HIV Epidemic)	93.686	UT8HA33953	51,636	—
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>650,691</u>	<u>—</u>
Direct Programs:				
COVID-19 Provider Relief Fund	93.498	75-0140-0-1-550	45,893	—
Low Income Home Energy Assistance Program (LI-HEAP)	93.568	20Y-2006	657,685	—
Total Department of Health and Human Services			<u>1,354,269</u>	<u>—</u>
Institute of Museum and Library Services:				
Passed through California State Library:				
Grants to States – Library Services and Technology Act (LSTA) – Welcoming Anaheim: Immigrant and Refugee Integration!	45.310	40-8944	2,089	—
Grants to States – Library Services and Technology Act (LSTA) – STARS (Students' Tools and Resources for Success)	45.310	40-9008	4,172	—
Grants to States – Library Services and Technology Act (LSTA) – STEAM Hub	45.310	40-8943	11,778	—
Grants to States – Library Services and Technology Act (LSTA) – Ukulele University	45.310	40-9009	6,692	—
Grants to States – Library Services and Technology Act (LSTA) – Bringing Virtual Programming to the People	45.310	40-9123	2,988	—
Grants to States – Library Services and Technology Act (LSTA) – Workforce Partnership Initiative	45.310	40-9110	4,431	—
Total Institute of Museum and Library Services			<u>32,150</u>	<u>—</u>
Department of the Interior:				
Passed through Bureau of Reclamation: Reclamation States Emergency Drought Relief (Modjeska Park – Urban Model for Storm Water Detention and Infiltration)	15.514	R18AP00078	17,459	—
Total Department of the Interior			<u>17,459</u>	<u>—</u>

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30,2021 Expenditures	Amounts passed to subrecipients
Department of Transportation:				
Highway Planning & Construction Cluster:				
Passed through California Department of Transportation:				
Active Transportation Programs:				
Highway Planning and Construction- West Street/Citron Street Sidewalk Gap Closure – Non-Infrastructure	20.205	ATPLNI-5055 (163)	\$ 316	—
Highway Planning and Construction- West Street/Citron Street Sidewalk Gap Closure	20.205	ATPL-5055 (186)	330,679	—
Section 130 Grade Crossing Improvement Program:				
Highway Planning and Construction- Olive Street Railroad Crossing	20.205	STPLR-7500 (234), 75LX274	3,542	—
Bicycle Corridor Improvement Program:				
Highway Planning and Construction- Nohl Ranch Open Space Trail	20.205	CMLN-5055 (188)	17,331	—
Highway Safety Improvement Programs:				
Highway Planning and Construction -Guardrail Reconstruction Project	20.205	HSIPL-5055 (191)	21,618	—
Highway Planning and Construction -Euclid Street Median and Signal Modification:Crescent Avenue to Glenoaks Avenue	20.205	HSIPL-5055 (187)	—	—
Highway Planning and Construction- Various Locations Replace Existing Pedestrian Crossing Head	20.205	HSIPL-5055 (189)	113,222	—
Highway Planning and Construction-Seven Signalized Intersection Locations	20.205	HSIPL-5055 (190)	51,068	—
Bridge Preventative Maintenance Programs:				
Highway Planning and Construction- Nine Bridges Located in Anaheim	20.205	BPMP-5055 (175)	—	—
Total Highway Planning and Construction Cluster			537,776	—
The Passenger Rail Investment and Improvement Act of 2008 (PRIIA):				
Passed through California High-Speed Rail Authority:				
ARRA High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	FR-HSR-0009-10-01-06	22,616	—
Federal Transit Cluster:				
Passed through Orange County Transportation Authority:				
Federal Transit – Formula Grant – Anaheim Canyon Station	20.507	CA-95X-210	39,082	—
Highway Safety Cluster:				
Passed through California Office of Traffic Safety:				
State and Community Highway Safety – Selective Traffic Enforcement Program	20.600	PT20003	80,107	—
State and Community Highway Safety – Pedestrian and Bicycle Safety Program	20.600	PS20001	324	—
State and Community Highway Safety – Selective Traffic Enforcement Program	20.600	PT21004	133,757	—
State and Community Highway Safety – Pedestrian and Bicycle Safety Program	20.600	PS21001	14,333	—
National Priority Safety Programs – Selective Traffic Enforcement Program	20.616	PT20003	1,572	—
National Priority Safety Programs – Child Passenger Safety Program	20.616	OP20001	233	—
National Priority Safety Programs – Motorcycle Safety Program	20.616	MC20001	7,848	—
National Priority Safety Programs – Selective Traffic Enforcement Program	20.616	PT21004	75,372	—
National Priority Safety Programs – Motorcycle Safety Program	20.616	MC21001	32,050	—
National Priority Safety Programs – Child Passenger Safety Program	20.616	OP21001	36,839	—
National Priority Safety Programs – Traffic Records Improvement Project	20.616	TR21002	24,800	—
Total Highway Safety Cluster			407,235	—
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program	20.608	PT20003	54,298	—
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program	20.608	PT21004	181,824	—
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			236,122	—
Total Department of Transportation			1,242,831	—

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2021 Expenditures	Amounts passed to subrecipients
Department of Justice:				
Direct Programs:				
Equitable Sharing Program – Asset Forfeiture	16.922	16.CA0300100	\$ 653,506	—
Services for Trafficking Victims – Orange County Human Trafficking Task Force	16.320	2017-VT-BX-K027	176,735	53,391
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0671	23,674	—
Passed through California Board of State and Community Corrections:				
Edward Byrne Memorial Justice Assistance Grant Program (Justice Assistance Grant FY 2016 – Mental Health Assistance	16.738	BSCC 0137-18-MH	515	—
Total Department of Justice			<u>854,430</u>	<u>53,391</u>
Department of Homeland Security:				
Passed through California Office of Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4482-DR-CA, Cal OES ID 059-02000	5,239	—
Hazard Mitigation Grant Program	97.039	FEMA-4407-DR-CA, Project #PJ0211 FIPS #059-02000	182,794	—
Passed through California Office of Emergency Services:				
Homeland Security Grant Program - Urban Areas Security Initiative (UASI)	97.067	2018-0054	2,735,625	649,307
Passed through City of Santa Ana:				
Homeland Security Grant Program - Urban Areas Security Initiative (UASI)	97.067	2017-0083	58,224	—
Homeland Security Grant Program - Urban Areas Security Initiative (UASI)	97.067	2019-0035	121,528	—
			<u>179,752</u>	<u>—</u>
Passed through Orange County Sheriff's Department:				
Homeland Security Grant Program	97.067	2018-0054	425,550	—
Homeland Security Grant Program	97.067	2020-0095	180,000	—
Total Homeland Security Grant Program			<u>605,550</u>	<u>—</u>
			<u>3,520,927</u>	<u>649,307</u>
Passed through Orange County Sheriff's Department:				
Emergency Management Performance Grant FY 2019	97.042	2019-0003, Cal OES #059-00000	45,497	—
Emergency Management Performance Grant FY 2020	97.042	2020-0006, Cal OES #059-00000	8,974	—
COVID-19 Emergency Management Performance Grant FY 2020 - COVID-19 Supplemental	97.042	2020-0019, Cal OES #059-00000	4,931	—
			<u>59,402</u>	<u>—</u>
Direct Programs:				
Assistance to Firefighters Grant	97.044	EMW-2020-FG-02352	115,792	—
Staffing for Adequate Fire and Emergency Response (2019 SAFER)	97.083	EMW-2019-FF-01257	585,753	—
Total Department of Homeland Security			<u>4,469,907</u>	<u>649,307</u>
Department of Treasury:				
Direct Programs:				
COVID-19 Emergency Rental Assistance Program	21.023	ERA	8,919,797	—
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	21.027	SLT-2141	73,717,383	—
Passed through State of California:				
COVID-19 Coronavirus Relief Fund	21.019	20-1892-0-1-806	16,415,592	—
Passed through County of Orange:				
COVID-19 Coronavirus Relief Fund	21.019	20-1892-0-1-806	2,988,839	—
Total Coronavirus Relief Fund			<u>19,404,431</u>	<u>—</u>
Total Department of Treasury			<u>102,041,611</u>	<u>—</u>
Total Expenditures of Federal Awards			<u>\$ 223,547,541</u>	<u>4,417,049</u>

See accompanying independent auditors' report.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of Anaheim, California (the City). The Schedule includes federal awards received directly from federal agencies as well as federal awards passed through the State of California and other agencies. The City's reporting entity is defined in note 1 to the City's financial statements.

(2) Basis of Accounting

The Schedule is presented using the accrual basis of accounting, which is described in the notes to the City's financial statements.

(3) Relationship to Financial Statements and Federal Financial Reports

Information reported in the Schedule agrees with the amounts reported in both the financial statements and related federal financial reports for the major federal programs. Revenues from federal award programs are reported in the financial statements as operating and capital grant revenues in the government-wide financial statements and intergovernmental revenues in the fund statements.

(4) Community-Based Loan Programs

The City has loans outstanding under the Community Development Block Grants (CDBG) – Entitlement Grants Cluster, Emergency Shelter Grant Program (ESG), Home Investment Partnerships Program, and the Neighborhood Stabilization Program that contain continuing compliance requirements. The below schedule details the amounts outstanding at June 30, 2021.

Program name	Assistance listing number (ALN)	Outstanding balance at June 30, 2021		
		Principal	Interest	Total
CDBG	14.218	\$ 1,321,948	602,888	1,924,836
ESG	14.231	238,338	793,533	1,031,871
Home Investment Partnerships Program	14.239	1,609,934	532,272	2,142,206
Neighborhood Stabilization	14.218	425,000	148,408	573,408
Total		\$ 3,595,220	2,077,101	5,672,321

The amounts included in the accompanying Schedule consist of loans advanced to eligible participants of the programs and other administrative costs for the year ended June 30, 2021. Program income of \$1,032,623 was generated primarily from various loan programs, reported to the U.S. Department of Housing and Urban Development (HUD), and used for eligible activities. Program income is used subject to the requirements established by HUD for each grant and when expended is included in the Schedule.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

(5) Community Learning Center property acquisition loan payable

On September 1, 2017, the City entered into an Agreement with Los Altos V. LP (Seller) for the purchase and sale of the former Northgate Market site located at 718-744 N. Anaheim Boulevard for the development of a Community Learning Center. The purchase price of the property was \$4,750,000 of which \$2,500,000 was paid in cash from the resources of the Community Development Block Grant with the balance of \$2,250,000 payable to Seller over five years at an annual interest rate of 5.5%. Principal and interest of \$42,978 are due on the first of each month commencing on March 1, 2018 until February 1, 2023. The annual loan payment will be funded from the restricted resources of the Community Development Block Grant yearly entitlement. The outstanding balance of the loan at June 30, 2021 was \$819,541. Total debt maturity to service is as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 482,704	33,027	515,731
2023	336,837	6,984	343,821
	<u>\$ 819,541</u>	<u>40,011</u>	<u>859,552</u>

(6) Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For the sponsored programs where the City claims indirect costs, the City's internal indirect cost rate is used.

CITY OF ANAHEIM, CALIFORNIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

(1) Summary of Auditors' Results

- (a) Type of auditors' reports issued on whether the financial statement were prepared in accordance with generally accepted accounting principles:
- Governmental activities: **Unmodified**
 - Business-type activities: **Unmodified**
 - Each major fund: **Unmodified**
 - Aggregate remaining fund information: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control over major programs:
- Material weaknesses: **Yes – 2021-001**
 - Significant deficiencies: **None reported**
- (e) Type of auditors' report issued on compliance for major programs: **Unmodified, except for the Eligibility – Home Investment Partnership Program (ALN 14.239) which is qualified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major Programs:
- Home Investment Partnerships Program (HOME) – ALN 14.239
 - COVID-19 Coronavirus Relief Fund – ALN 21.019
 - COVID-19 Emergency Rental Assistance Program – ALN 21.023
 - COVID-19 Coronavirus State and Local Fiscal Recovery Funds – ALN 21.027
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **No**
- (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***
- None noted

CITY OF ANAHEIM, CALIFORNIA
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2021

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2021-001 – Eligibility

Federal Program: Home Investment Partnership Program (HOME)

ALN Number: 14.239

Federal Agency: Department of Housing and Urban Development

Federal Award Year: 2015

Grant number: M-15-MC060502

Pass-Through Entity: None

Criteria: 24 CFR92.254 Qualification as affordable housing: Homeownership.

- (a) Acquisition with or without rehabilitation. Housing that is for acquisition by a family must meet the affordability requirements of this paragraph.
- (3) The housing must be acquired by a homebuyer whose family qualifies as a low-income family, and the housing must be the principal residence of the family throughout the period described in paragraph (a)(4) of this section.
- (4) Periods of affordability. The HOME-assisted housing must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion.

Homeownership assistance HOME amount per-unit	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

CITY OF ANAHEIM, CALIFORNIA

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

- Condition and Context:** During our testwork over continuing eligibility requirements for loan recipients of the program, we noted that the City did not have sufficient controls in place nor were adequate records maintained to verify that the property was the principal residence of the homebuyer during the period of affordability described above.
- Cause and Effect:** The City's process and controls are not designed with enough precision to ensure that loan recipients continued to meet the primary residence requirements within the period of affordability. As a result, the City was unable to verify that the homebuyer met the eligibility requirements during the period of affordability.
- Questioned Costs:** 20 loans totaling \$1,609,934 were identified as noncompliant. These loans represented 100% of the population of loans outstanding within the affordability period.
- Isolated or Systemic:** Systematic
- Whether the sampling was a statistically valid sample:** This sample was not intended to be, and was not, a statistically valid sample.
- Repeat Finding:** Yes. Finding 2020-001.
- Recommendation:** We recommend that the City further refine the design of the internal controls that will ensure that the eligibility requirements for outstanding loans during the period of affordability are performed.
- Management's Response:** During fiscal year 2021, the City continued to make progress in satisfying the compliance requirements by mailing confirmation letters to several loan recipients. Unfortunately, due to the challenges imposed by COVID-19 and limited staffing, the City was unable to perform follow-up procedures when the letters were not returned or begin correspondence with the remaining loan recipients. Therefore, the Department added new staffing resources in April 2022 to assist with the Department Loan portfolio monitoring to ensure on-going compliance.