



**CITY OF ANAHEIM, CALIFORNIA**

Single Audit Reports

June 30, 2022

(With Independent Auditors' Report Thereon)

# CITY OF ANAHEIM, CALIFORNIA

## Table of Contents

	<b>Page</b>
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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	13



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

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

The Honorable Mayor and City Council  
City of 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, 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 December 22, 2022.

**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) 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.

**Report on 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, 2022



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**

*Qualified and Unmodified Opinions*

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, 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.

*Qualified Opinion on Eligibility – Home Investment Partnership Program*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Home Investment Partnership Program for the year ended June 30, 2022.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

*Basis for Qualified and Unmodified Opinions*

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

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



### *Matters Giving Rise to Qualified Opinion on 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 2022-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### *Responsibilities of Management for Compliance*

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

### *Auditors' Responsibilities for the Audit of Compliance*

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

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

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

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

### *Other Matters*

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's response and corrective action plan were not



subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be material weaknesses.

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

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

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



### **Report on Schedule of Expenditures of 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 of Anaheim, California 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 December 22, 2022, 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Los Angeles, California  
March 30, 2023



**CITY OF ANAHEIM, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2022 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-16-MC-060501	\$ 1,943,141	—
Community Development Block Grant/Entitlement Grant	14.218	B-17-MC-060501	379,764	—
Community Development Block Grant/Entitlement Grant	14.218	B-18-MC-060501	265,388	—
Community Development Block Grant/Entitlement Grant	14.218	B-19-MC-060501	145,722	—
Community Development Block Grant/Entitlement Grant	14.218	B-20-MC-060501	12,999	—
Community Development Block Grant/Entitlement Grant	14.218	B-21-MC-060501	3,580,421	353,059
COVID-19 Community Development Block Grant/Entitlement Grant – CV	14.218	B-20-MW-060501	647,661	333,681
Total Community Development Block Grants -Entitlement Grants Cluster			<u>6,975,096</u>	<u>686,740</u>
Direct Programs:				
Housing Opportunities for Persons with AIDS	14.241	CAH19-F010	955,375	749,818
Housing Opportunities for Persons with AIDS	14.241	CAH21-F010	889,771	63,657
			<u>1,845,146</u>	<u>813,475</u>
Direct Programs:				
Emergency Solutions Grant (ESG)	14.231	E-20-MC-06-0501	156,818	155,765
Emergency Solutions Grant (ESG)	14.231	E-21-MC-06-0501	91,929	67,091
COVID-19 Emergency Solutions Grant (ESG) – CV	14.231	E-20-MW-06-0501	6,523,835	6,335,880
			<u>6,772,582</u>	<u>6,558,736</u>
Direct Programs:				
Home Investment Partnerships Program (HOME)	14.239	M-16-MC060502	2,245,465	77,872
Home Investment Partnerships Program (HOME)	14.239	M-17-MC060502	183,867	—
Home Investment Partnerships Program (HOME)	14.239	M-18-MC060502	459,616	428,416
Home Investment Partnerships Program (HOME)	14.239	M-19-MC060502	321,531	59,094
Home Investment Partnerships Program (HOME)	14.239	M-20-MC060502	2,039,685	—
Home Investment Partnerships Program (HOME)	14.239	M-21-MC060502	324,739	88,000
Home Investment Partnerships Program (HOME)	14.239	M-21-MP060502	11,829	—
			<u>5,586,732</u>	<u>653,382</u>
Direct Programs:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA104VO/CA104AF	97,658,632	—
Section 8 Housing Choice Vouchers (Emergency Housing Vouchers)	14.871	CA104EP/CA104ES	1,563,068	—
Mainstream Vouchers Program (MV)	14.879	CA104DV/CA1048F	5,000,715	—
Total Housing Voucher Cluster PIH			<u>104,222,415</u>	<u>—</u>
PH Family Self-Sufficiency Program	14.896	FSS20CA3043/FSS21CA4046	121,849	—
Total Department of Housing and Urban Development			<u>125,523,820</u>	<u>8,712,333</u>

**CITY OF ANAHEIM, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2022 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	AA-34757-20-55-A-6	\$ 12,043	—
Passed through California Employment Development Department:				
WIOA Adult Program	17.258	AA011002	95,102	—
WIOA Adult Program	17.258	AA211002	687,279	—
WIOA High Performance Bond	17.258	AA011002	3,846	—
			<u>798,270</u>	<u>—</u>
WIOA Youth Activities	17.259	AA111002	186,448	155,200
WIOA Youth Activities	17.259	AA211002	420,622	280,651
			<u>607,070</u>	<u>435,851</u>
WIOA Dislocated Workers Formula Grants	17.278	AA111002	6,980	—
WIOA Dislocated Workers Formula Grants	17.278	AA211002	494,735	—
WIOA Dislocated Workers Formula Grants (Rapid Response/Layoff Aversion)	17.278	AA211002	245,340	—
COVID-19 WIOA Dislocated Workers Formula Grants (Library Workforce Partnership Initiative)	17.278	AA211002	19,487	—
Total WIOA Cluster			<u>766,542</u>	<u>—</u>
			2,171,882	435,851
Passed through California Employment Development Department:				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA011002	61,250	—
Total Department of Labor			<u>2,233,132</u>	<u>435,851</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	501,601	—
Temporary Assistance for Needy Families (Ending the HIV Epidemic)	93.686	UT8HA33953	58,800	—
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>560,401</u>	<u>—</u>
Direct Programs:				
Low Income Home Energy Assistance Program (LI-HEAP)	93.568	20Y-2006	799,100	—
Total Department of Health and Human Services			<u>1,359,501</u>	<u>—</u>
Institute of Museum and Library Services:				
Passed through California State Library:				
Grants to States – Library Services and Technology Act (LSTA) – Bringing Virtual Programming to the People	45.310	40-9123	10,012	—
Grants to States – Library Services and Technology Act (LSTA) – Workforce Partnership Initiative	45.310	40-9110	12,069	—
Grants to States – Library Services and Technology Act (LSTA) – Workforce Partnership Initiative 2	45.310	40-9242	12,793	—
Total Institute of Museum and Library Services			<u>34,874</u>	<u>—</u>
Department of the Interior:				
Passed through State of California Department of Parks and Recreation:				
Land and Water Conservation Fund – Center Greens	15.916	06-01839	95,811	—
Total Department of the Interior			<u>95,811</u>	<u>—</u>

**CITY OF ANAHEIM, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2022 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)	\$ 6,201	—
Highway Planning and Construction- West Street/Citron Street Sidewalk Gap Closure	20.205	ATPL-5055 (186)	9,497	—
Highway Planning and Construction- 1.24 Miles ADA Accessible Sidewalk Segments	20.205	ATPSB1L-5055 (194)	334	—
Bicycle Corridor Improvement Program:				
Highway Planning and Construction- Nohl Ranch Open Space Trail	20.205	CMLN-5055 (188)	28,514	—
Highway Safety Improvement Programs:				
Highway Planning and Construction -Guardrail Reconstruction Project	20.205	HSIPL-5055 (191)	56,429	—
Highway Planning and Construction -Euclid Street Median and Signal Modification:Cresent Avenue to Glenoaks Avenue	20.205	HSIPL-5055 (187)	22,725	—
Highway Planning and Construction- Various Locations Replace Existing Pedestrian Crossing Head	20.205	HSIPL-5055 (189)	5,675	—
Highway Planning and Construction-Seven Signalized Intersection Locations	20.205	HSIPL-5055 (190)	108,939	—
Highway Planning and Construction- Upgrade 755 Existing Pedestrian Crossings to Pedestrian Countdown Signal Heads	20.205	HSIPL-5055 (193)	7,779	—
Bridge Preventative Maintenance Programs:				
Highway Planning and Construction- Nine Bridges Located in Anaheim	20.205	BP MPL-5055 (175)	2,256	—
Total Highway Planning and Construction Cluster			248,349	—
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	2,631	—
Federal Transit Cluster:				
Passed through Orange County Transportation Authority:				
Federal Transit – Formula Grant – Anaheim Canyon Station	20.507	CA-95X-210	72,255	—
Highway Safety Cluster:				
Passed through California Office of Traffic Safety:				
State and Community Highway Safety – Selective Traffic Enforcement Program	20.600	PT21004	28,018	—
State and Community Highway Safety – Pedestrian and Bicycle Safety Program	20.600	PS21001	12,288	—
State and Community Highway Safety – Selective Traffic Enforcement Program	20.600	PT22137	115,117	—
State and Community Highway Safety – Pedestrian and Bicycle Safety Program	20.600	PS22028	8,144	—
State and Community Highway Safety – Selective Traffic Enforcement Program	20.616	PT21004	31,493	—
National Priority Safety Programs – Child Passenger Safety Program	20.616	OP21001	33,562	—
National Priority Safety Programs – Motorcycle Safety Program	20.616	MC21001	7,771	—
National Priority Safety Programs – Motorcycle Safety Program	20.616	MC22006	35,333	—
National Priority Safety Programs – Child Passenger Safety Program	20.616	OP22020	45,575	—
Total Highway Safety Cluster			317,301	—
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program	20.608	PT21004	32,532	—
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program	20.608	PT22137	136,549	—
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			169,081	—
Total Department of Transportation			809,617	—

**CITY OF ANAHEIM, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

Federal grantor/program title	Assistance listing number	Program or grant number	Final June 30, 2022 Expenditures	Amounts passed to subrecipients
Department of Justice:				
Direct Programs:				
Equitable Sharing Program – Asset Forfeiture	16.922	16.CA0300100	\$ 86,590	—
Services for Trafficking Victims – Orange County Human Trafficking Task Force	16.320	2017-VT-BX-K027	42,300	11,671
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0671	190,419	—
FY 2020 Patrick Leahy Bulletproof Vest Partnership	16.607	2020-BO-BX-20023298	5,488	—
FY 2018 NCS-X Implementation Assistance Program Grant	16.734	2018-FU-CX-K041	17,500	—
FY 2021 Community Policing Development (CPD) Crisis Intervention Teams	16.710	15JCOPS-21-GG-02330-SPPS	47,961	—
FY 2021 COPS Office Hiring Program	16.710	15JCOPS-21-GG-03462-UHPX	347,847	—
Passed through Orange County's Sheriff's Department:				
Edward Byrne Memorial Justice Assistance Grant Program FY 2019	16.738	2019-DJ-BX-0899	67,209	—
Edward Byrne Memorial Justice Assistance Grant Program FY 2020	16.738	2020-DJ-BX-0773	2,117	—
Total Department of Justice			<u>807,431</u>	<u>11,671</u>
Department of Homeland Security:				
Passed through California Office of Emergency Services:				
Hazard Mitigation Grant Program	97.039	FEMA-4407-DR-CA, Project #PJ0211 FIPS #059-02000	275,698	—
Passed through California Office of Emergency Services:				
Homeland Security Grant Program – Urban Areas Security Initiative (UASI)	97.067	2018-0054	1,374,880	709,229
Homeland Security Grant Program – Urban Areas Security Initiative (UASI)	97.067	2020-0095	468,086	—
			<u>1,842,966</u>	<u>709,229</u>
Passed through City of Santa Ana:				
Homeland Security Grant Program – Urban Areas Security Initiative (UASI)	97.067	2019-0035	432,510	—
			<u>432,510</u>	<u>—</u>
Passed through City of Los Angeles:				
Complex Coordinated Terrorist Attack (CCTA)	97.133	EMW-2016-GR-00091	82,667	—
			<u>82,667</u>	<u>—</u>
Passed through Orange County Sheriff's Department:				
Homeland Security Grant Program – Metropolitan Medical Response System	97.067	282-00-0050	66,746	—
Homeland Security Grant Program	97.067	2021-0081	128,558	—
			<u>195,304</u>	<u>—</u>
Total Homeland Security Grant Program			<u>2,553,447</u>	<u>709,229</u>
Passed through Orange County Sheriff's Department:				
COVID-19 Emergency Management Performance Grant FY 2020 – COVID-19 Supplemental	97.042	2020-0019, Cal OES #059-00000	12,082	—
Emergency Management Performance Grant FY 2020	97.042	2020-0006, Cal OES #059-00000	40,408	—
Emergency Management Performance Grant FY 2021	97.042	2021-0015, Cal OES #059-00000	5,927	—
			<u>58,417</u>	<u>—</u>
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (2019 SAFER)	97.083	EMW-2019-FF-01257	2,011,896	—
Total Department of Homeland Security			<u>4,899,458</u>	<u>709,229</u>
Department of Treasury:				
Direct Programs:				
COVID-19 Emergency Rental Assistance Program	21.023	ERA	15,819,439	—
Passed through California Department of Housing and Community Development				
Emergency Rental Assistance	21.023	SRAP	13,878,982	—
Total Emergency Rental Assistance Program			<u>29,698,421</u>	<u>—</u>
Direct Programs:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	21.027	SLT-2141	32,912,856	—
Total Department of Treasury			<u>62,611,277</u>	<u>—</u>
Total Expenditures of Federal Awards			<u>\$ 198,374,921</u>	<u>9,869,084</u>

See accompanying independent auditors' report.

**CITY OF ANAHEIM, CALIFORNIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

**(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.

**(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, Home Investment Partnerships Program, and the Community Development Block Grant/Entitlement Grant - Neighborhood Stabilization Program that contain continuing compliance requirements. The below schedule details the amounts outstanding at June 30, 2022.

Program name	Assistance listing number (ALN)	Outstanding balance at June 30, 2022		
		Principal	Interest	Total
Community Development Block Grant/Entitlement Grant	14.218	\$ 1,344,811	580,469	1,925,281
Home Investment Partnerships Program	14.239	3,175,614	2,036,449	5,212,063
Community Development Block Grant/Entitlement Grant – Neighborhood Stabilization	14.218	300,000	112,685	412,685
Total		\$ 4,820,425	2,729,603	7,550,029

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, 2022. Program income of \$2,001,171 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, 2022

**(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, 2022 was \$336,837. Total debt maturity to service is as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ <u>336,837</u>	<u>6,984</u>	<u>343,821</u>
	\$ <u><u>336,837</u></u>	<u><u>6,984</u></u>	<u><u>343,821</u></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, 2022

**(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 – 2022-001**
  - 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
  - Community Development Block Grant/Entitlement Grant – ALN 14.218
  - COVID-19 Emergency Rental Assistance Program – ALN 21.023
  - COVID-19 Emergency Solutions Grant (ESG) – ALN 14.231
  - 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, 2022

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

**Finding 2022-001 – 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.

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

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.



## CITY OF ANAHEIM, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2022

<b>Condition and Context:</b>	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.
<b>Cause and Effect:</b>	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.
<b>Questioned Costs:</b>	17 loans totaling \$1,137,405 were identified as noncompliant. These loans represented 100% of the population of loans outstanding within the affordability period.
<b>Isolated or Systemic:</b>	Systematic
<b>Whether the sampling was a statistically valid sample:</b>	This sample was not intended to be, and was not, a statistically valid sample.
<b>Repeat Finding:</b>	Yes. Finding 2021-001.
<b>Recommendation:</b>	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.
<b>Management's Response:</b>	During fiscal year 2022, the Department underwent a reorganization as the City Council approved the establishment of two separate departments, Housing & Community Development and Economic Development. In April 2022, the Department contracted with Keyser Marston and Associates to train newly hired staff to assist the Department with Loan portfolio monitoring and to ensure on-going compliance. In addition, the Department will be implementing new procedures through a program called Neighborly to facilitate and streamline the process for all outstanding loans. The Neighborly program will assist with loan tracking, communicating with loan participants and obtaining annual compliance certifications. The Department will be focusing its resources to ensure on-going compliance and plans to close this finding in fiscal year 2023.