



CITY OF ANAHEIM, CALIFORNIA

Single Audit Reports

June 30, 2020

(With Independent Auditors' Report Thereon)

CITY OF ANAHEIM, CALIFORNIA

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KPMG LLP
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**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, 2020, 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 21, 2020.

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 21, 2020



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, 2020. 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 CFDA 14.239 Home Investment Partnership Program as described in finding number 2020-001 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, 2020.



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, 2020.

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 2020-001 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 21, 2020, 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
March 25, 2021

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

| Federal grantor/program title | Federal CFDA number | Program or grant number | Federal awards | Amounts passed to subrecipients |
|---|------------------------|-------------------------|--------------------|---------------------------------------|
| Department of Housing and Urban Development: | | | | |
| Community Development Block Grants (CDBG) Entitlement Grants Cluster: | | | | |
| Direct Programs: | | | | |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster | 14.218 | B-14-MC-060501 | \$ 2,017,810 | — |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster | 14.218 | B-16-MC-060501 | 420,688 | — |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster | 14.218 | B-17-MC-060501 | 168,185 | — |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster | 14.218 | B-18-MC-060501 | 15,735 | — |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster | 14.218 | B-19-MC-060501 | 3,876,060 | 317,384 |
| Community Development Block Grant (CDBG)/Entitlement Grant Cluster-CV | 14.218 | B-20-MW-060501 | 511,832 | — |
| Total Community Development Block Grants – Entitlement Grants Cluster | | | <u>7,010,310</u> | <u>317,384</u> |
| Direct Programs: | | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | CAH17-F010 | 26,900 | 26,900 |
| Housing Opportunities for Persons with AIDS | 14.241 | CAH18-F010 | 795,029 | 795,029 |
| Housing Opportunities for Persons with AIDS | 14.241 | CAH19-F010 | 815,693 | — |
| Housing Opportunities for Persons with AIDS-CV | 14.241 | CAH20-FHW010 | 33,319 | — |
| Total Housing Opportunities for Persons with AIDS | | | <u>1,670,941</u> | <u>821,929</u> |
| Direct Programs: | | | | |
| Emergency Shelter Grant Program (ESG) | 14.231 | E-18-MC-06-0501 | 1,104,322 | 120,184 |
| Emergency Shelter Grant Program (ESG) | 14.231 | E-19-MC-06-0501 | 289,043 | 263,315 |
| Emergency Shelter Grant Program (ESG) – CV | 14.231 | E-20-MW-06-0501 | 24,374 | 3,987 |
| Total Emergency Shelter Grant Program (ESG) | | | <u>1,417,739</u> | <u>387,486</u> |
| Direct Programs: | | | | |
| Home Investment Partnerships Program (HOME) | 14.239 | M-15-MC060502 | 2,532,390 | — |
| Home Investment Partnerships Program (HOME) | 14.239 | M-16-MC060502 | 357,396 | 170,359 |
| Home Investment Partnerships Program (HOME) | 14.239 | M-17-MC060502 | 766,109 | 766,038 |
| Home Investment Partnerships Program (HOME) | 14.239 | M-18-MC060502 | 4,828 | — |
| Home Investment Partnerships Program (HOME) | 14.239 | M-19-MC060502 | 397,096 | — |
| Total Home Investment Partnerships Program (HOME) | | | <u>4,057,819</u> | <u>936,397</u> |
| Direct Programs: | | | | |
| Housing Voucher Cluster: | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | CA104VO/CA104AF | 84,777,849 | — |
| COVID-19 Housing Choice Voucher CARES Act Funding | 14.871 | CA104VO/CA104AF | 519,766 | — |
| Section 8 Mainstream Vouchers | 14.879 | CA104DV/CA1048F | 3,248,680 | — |
| Total Housing Voucher Cluster | | | <u>88,546,295</u> | <u>—</u> |
| Total Department of Housing and Urban Development | | | <u>102,703,104</u> | <u>2,463,196</u> |

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

| Federal grantor/program title | Federal CFDA number | Program or grant number | Federal awards | Amounts passed to subrecipients |
|---|------------------------|-------------------------|-------------------|---------------------------------------|
| Department of Labor: | | | | |
| Workforce Innovation and Opportunity Act Cluster: | | | | |
| Passed through California Employment Development Department: | | | | |
| Workforce Innovation and Opportunity Act – Adult Program | 17.258 | K9110003 | \$ 83 | — |
| Workforce Innovation and Opportunity Act – Adult Program | 17.258 | AA011002 | 630,641 | — |
| Total Workforce Innovation and Opportunity Act - Adult Program | | | <u>630,724</u> | <u>—</u> |
| Workforce Innovation and Opportunity Act – Youth Activities | 17.259 | K9110003 | 106,132 | 106,058 |
| Workforce Innovation and Opportunity Act – Youth Activities | 17.259 | AA011002 | 630,493 | 309,255 |
| Total Workforce Innovation and Opportunity Act – Youth Activities | | | <u>736,625</u> | <u>415,313</u> |
| Workforce Innovation and Opportunity Act – Dislocated Workers | 17.278 | K9110003 | 35,011 | — |
| Workforce Innovation and Opportunity Act – Dislocated Workers | 17.278 | AA011002 | 572,237 | — |
| Workforce Innovation and Opportunity Act – Dislocated Workers (Rapid Response/Layoff Aversion) | 17.278 | AA011002 | 167,049 | — |
| Workforce Innovation and Opportunity Act – Dislocated Workers (25% Additional Assistance) | 17.278 | K8106026 | 110,893 | — |
| Total Workforce Innovation and Opportunity Act – Dislocated Workers Formula Grant | | | <u>885,190</u> | <u>—</u> |
| Passed through County of Orange Department of Community Resources: | | | | |
| Workforce Innovation and Opportunity Act – Adult Program-Prison to Employment | 17.258 | 18-28-0041-RWS | 24,247 | — |
| Workforce Innovation and Opportunity Act – Adult Program-Regional Organizers/Regional Training Coordinators | 17.258 | 18-28-0041-RWS | 7,273 | — |
| Total Workforce Innovation and Opportunity Act Cluster | | | <u>2,284,059</u> | <u>415,313</u> |
| Passed through California Employment Development Department: | | | | |
| WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | AA011002 | 87,083 | — |
| Total Department of Labor | | | <u>2,371,142</u> | <u>415,313</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 | WRR0315 | 619,513 | — |
| Direct Programs: | | | | |
| COVID-19 – Provider Relief Fund | 93.498 | 75-0140-0-1-550 | 12,046 | — |
| Low Income Home Energy Assistance Program (LI-HEAP) | 93.568 | 20Y-2006 | 623,935 | — |
| Total Department of Health and Human Services | | | <u>1,255,494</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 | 17,911 | — |
| Grants to States – Library Services and Technology Act (LSTA) – STARS (Students’ Tools and Resources for Success) | 45.310 | 40-9008 | 13,828 | — |
| Grants to States – Library Services and Technology Act (LSTA) – STEAM Hub | 45.310 | 40-8943 | 88,222 | — |
| Grants to States – Library Services and Technology Act (LSTA) – Ukulele University | 45.310 | 40-9009 | 11,308 | — |
| Total Institute of Museum and Library Services | | | <u>131,269</u> | <u>—</u> |

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

| Federal grantor/program title | Federal CFDA number | Program or grant number | Federal awards | Amounts passed to subrecipients |
|---|------------------------|---------------------------|-------------------|---------------------------------------|
| Department of the Interior: | | | | |
| Passed through State of California Department of Parks and Recreation: Outdoor Recreation, Acquisition, Development and Planning-Land and Water Conservation Fund – Manzanita Skate Park | 15.916 | 06-01796 | \$ 396,545 | — |
| Passed through Bureau of Reclamation: Reclamation States Emergency Drought Relief-Modjeska Park- Urban Model for Storm Water Detention and Infiltration | 15.514 | R18AP00078 | 719,879 | — |
| Total Department of the Interior | | | <u>1,116,424</u> | <u>—</u> |
| Department of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Passed through California Department of Transportation: | | | | |
| Safe Routes to School: | | | | |
| South side of La Palma Avenue from 500 feet west of East Street | 20.205 | SRTSL-5055 (165) | 53,747 | — |
| Active Transportation Program: | | | | |
| West Street/Citron Street Sidewalk Gap Closure | 20.205 | ATPL-5055 (186) | 668,145 | — |
| Section 130 Grade Crossing Improvement Program: | | | | |
| Olive Street Railroad Crossing | 20.205 | STPLR-7500 (234), 75LX274 | 121,236 | — |
| Bicycle Corridor Improvement Program: | | | | |
| Nohl Ranch Open Space Trail | 20.205 | CMLN-5055 (188) | 2,209 | — |
| Highway Safety Improvement Program: | | | | |
| Guardrail Reconstruction Project | 20.205 | HSIPL-5055 (191) | 79,731 | — |
| Highway Safety Improvement Program: | | | | |
| Euclid Street Median and Signal Modification: Cresnet Avenue to Glenoaks Avenue | 20.205 | HSIPL-5055 (187) | 92,388 | — |
| Highway Safety Improvement Program: | | | | |
| Seven Signalized Intersection Locations | 20.205 | HSIPL-5055 (190) | 124,699 | — |
| Bridge Preventative Maintenance Program: | | | | |
| Nine Bridges Located in Anaheim | 20.205 | BP MPL-5055 (175) | 6,500 | — |
| Total Highway Planning and Construction Cluster | | | <u>1,148,655</u> | <u>—</u> |
| The Passenger Rail Investment and Improvement Act of 2008 (PRIIA): | | | | |
| Passed through California High-Speed Rail Authority: | | | | |
| ARRA – California High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grant Train Program Grant | 20.319 | FR-HSR-0009-10-01-06 | 15,184 | — |
| Federal Transit Cluster: | | | | |
| Passed through Orange County Transportation Authority: | | | | |
| Federal Transit – Formula Grant – Anaheim Canyon Station | 20.507 | CA-95X-210 | 54,701 | — |
| Highway Safety Cluster: | | | | |
| Passed through California Office of Traffic Safety: | | | | |
| State and Community Highway Safety – Selective Traffic Enforcement Program | 20.600 | PT19003 | 34,525 | — |
| State and Community Highway Safety – Pedestrian and Bicycle Safety Program | 20.600 | PS19002 | 6,356 | — |
| State and Community Highway Safety – Selective Traffic Enforcement Program | 20.600 | PT20003 | 70,141 | — |
| State and Community Highway Safety – Pedestrian and Bicycle Safety Program | 20.600 | PS20001 | 17,694 | — |
| National Priority Safety Programs – Child Passenger Safety Program | 20.616 | OP19001 | 9,381 | — |
| National Priority Safety Programs – Selective Traffic Enforcement Program | 20.616 | PT20003 | 6,295 | — |
| National Priority Safety Programs – Motorcycle Safety Program | 20.616 | MC20001 | 17,073 | — |
| National Priority Safety Programs – Child Passenger Safety Program | 20.616 | OP20001 | 25,667 | — |
| Total Highway Safety Cluster | | | <u>187,132</u> | <u>—</u> |

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

| Federal grantor/program title | Federal CFDA number | Program or grant number | Federal awards | Amounts passed to subrecipients |
|--|------------------------|-------------------------|-------------------|---------------------------------------|
| Department of Transportation: | | | | |
| Passed through California Office of Traffic Safety: | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program | 20.608 | PT19003 | \$ 31,891 | — |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Selective Traffic Enforcement Program | 20.608 | PT20003 | 154,829 | — |
| Total Passed through California Office of Traffic Safety | | | <u>186,720</u> | — |
| Total Department of Transportation | | | <u>1,592,392</u> | — |
| Department of Justice: | | | | |
| Direct Programs: | | | | |
| Equitable Sharing Program | 16.922 | 16.CA0300100 | 2,764,428 | — |
| Direct Programs: | | | | |
| Services for Trafficking Victims – Orange County Human Trafficking Task Force | 16.320 | 2017-VT-BX-K027 | 285,355 | 128,719 |
| Direct Programs: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2017-DJ-BX-0990 | 80,555 | — |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2018-DJ-BX-0820 | 80,316 | — |
| Passed through California Board of State and Community Corrections: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program – Mental Health Assistance Grant | 16.738 | BSCC 0137-18-MH | 3,651 | — |
| Total Edward Byrne Memorial Justice Assistance Grant Program | | | <u>164,522</u> | — |
| Total Department of Justice | | | <u>3,214,305</u> | <u>128,719</u> |
| Department of Environmental Protection Agency: | | | | |
| Direct Programs: | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements – Atchison Assessment | 66.818 | BF-99957501-0 | 2,495 | — |
| Total Department of Environmental Protection Agency | | | <u>2,495</u> | — |
| Department of Homeland Security: | | | | |
| Passed through California Office of Emergency Services: | | | | |
| Homeland Security Grant Program – Urban Areas Security Initiative (UASI) | 97.067 | 2016-0102 | 4,777 | — |
| Homeland Security Grant Program – Urban Areas Security Initiative (UASI) | 97.067 | 2018-0054 | 834,601 | 273,040 |
| Passed through City of Santa Ana: | | | | |
| Homeland Security Grant Program – Urban Areas Security Initiative (UASI) | 97.067 | 2017-0083 | 3,052,956 | — |
| Passed through Orange County Sheriff's Department: | | | | |
| Homeland Security Grant Program – Metropolitan Medical Response System | 97.067 | 282-00-0050 | 32,324 | — |
| Homeland Security Grant Program FY 2018 | 97.067 | 2018-0054 | 111,585 | — |
| Homeland Security Grant Program FY 2019 | 97.067 | 2019-0035 | 180,000 | — |
| Total Homeland Security Grant Program | | | <u>4,216,243</u> | <u>273,040</u> |
| Direct Programs: | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2017-FO-04592 | 1,453,295 | — |
| Assistance to Firefighters Grant | 97.044 | EMW-2020-FG-02352 | 28,774 | — |
| Total Assistance to Firefighters Grant | | | <u>1,482,069</u> | — |
| Passed through City of Los Angeles: | | | | |
| Preparing for Emerging Threats and Hazards | 97.133 | EMW-2016-GR-00091 | 24,027 | — |
| Total Department of Homeland Security | | | <u>5,722,339</u> | <u>273,040</u> |

CITY OF ANAHEIM, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

| <u>Federal grantor/program title</u> | <u>Federal CFDA number</u> | <u>Program or grant number</u> | <u>Federal awards</u> | <u>Amounts passed to subrecipients</u> |
|---|--------------------------------|--------------------------------|---------------------------|--|
| Department of Treasury: | | | | |
| Direct Programs: | | | | |
| Equitable Sharing Program – Asset Forfeiture Passed though State of California | 21.000 | 21.CA0300100 | \$ 25,121 | — |
| COVID-19 – Coronavirus Relief Fund Passed though County of Orange | 21.019 | 20-1892-0-1-806 | 14,064,521 | — |
| COVID-19 – Coronavirus Relief Fund | 21.019 | 20-1892-0-1-806 | <u>245,132</u> | <u>—</u> |
| Total Coronavirus Relief Fund | | | <u>14,309,653</u> | <u>—</u> |
| Total Department of Treasury | | | <u>14,334,774</u> | <u>—</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 132,443,738</u> | <u>3,280,268</u> |

See accompanying independent auditors' report.

CITY OF ANAHEIM, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(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, 2020.

| Program name | CFDA No. | Outstanding balance at June 30, 2020 | | |
|--------------------------------------|----------|--------------------------------------|-----------|-----------|
| | | Principal | Interest | Total |
| CDBG | 14.218 | \$ 1,493,401 | 671,560 | 2,164,961 |
| ESG | 14.231 | 238,338 | 769,700 | 1,008,038 |
| Home Investment Partnerships Program | 14.239 | 1,796,236 | 564,999 | 2,361,235 |
| Neighborhood Stabilization | 14.218 | 550,000 | 176,630 | 726,630 |
| Total | | \$ 4,077,975 | 2,182,889 | 6,260,864 |

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, 2020. Program income of \$880,612 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, 2020

(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, 2020 was \$1,276,471. Total debt maturity to service is as follows:

| <u>Fiscal Year Ending 6/30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------|------------------|
| 2021 | \$ 456,930 | 58,801 | 515,731 |
| 2022 | 482,704 | 33,027 | 515,731 |
| 2023 | 336,837 | 6,984 | 343,821 |
| | <u>\$ 1,276,471</u> | <u>98,812</u> | <u>1,375,283</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, 2020

(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 – 2020-001**
 - Significant deficiencies: **None reported**
- (e) Type of auditors' report issued on compliance for major programs: **Unmodified, except for the Eligibility – Home Investment Partnership Program (CFDA 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) – CFDA 14.239
 - Housing Voucher Cluster – CFDA 14.871 and 14.879
 - Coronavirus Relief Fund – CFDA 21.019
- (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, 2020

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2020-001 – Eligibility

Federal Program: Home Investment Partnership Program (HOME)

CFDA 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

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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:** 22 loans totaling \$1,796,236 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 2019-001.
- 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:** Staff agrees with the audit finding. During fiscal year 2020, the City began implementing procedures to satisfy the compliance requirements which included 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. The City is in the process of updating the policies and procedures to address the challenges encountered and perform alternative procedures.