

City of Gardena

Gardena, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2022



City of Gardena
Single Audit and Independent Auditors' Reports
For the Year Ended June 30, 2022

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardena, 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 8, 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 or significant deficiencies may exist that were not identified.

To the Honorable Mayor and the Members of City Council
of the City of Gardena
Gardena, California
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Report on Compliance and Other Matters

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

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

Santa Ana, California
December 8, 2022



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gardena, California's (the "City") compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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 opinion 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.

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 auditing standards generally accepted in the United States of America, *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 auditing standards generally accepted in the United States of America, *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

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-003, and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on 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's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, and 2022-004, to be significant deficiencies.

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

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

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

Report on the Schedule of Expenditures of Federal Awards Required by 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, 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 8, 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 Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Santa Ana, California

March 22, 2023, except for the Schedule of Expenditures of Federal Awards, which is as of December 8, 2022.

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

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
<i>CDBG - Entitlement Grants Cluster</i>				
<i>Direct Programs:</i>				
Community Development Block Grants / Entitlement Grants	14.218	B-21-MC-06-0577	\$ 383,045	\$ 20,000
COVID-19 Community Development Block Grants / Entitlement Grants - CARES Act	14.218	B-20-MW-06-0577	18,638	-
Total CDBG - Entitlement Grants Cluster			401,683	20,000
Total U.S. Department of Housing and Urban Development			401,683	20,000
U.S. Department of Justice				
<i>Direct Program:</i>				
Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-1207	59,828	-
Bulletproof Vest Partnership Program	16.607		13,993	-
<i>JAG Program Cluster</i>				
<i>Direct Programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0160	24,173	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0486	3,382	-
Total JAG Program Cluster			27,555	-
Total U.S. Department of Justice			101,376	-
U.S. Department of Transportation				
<i>Federal Transit Cluster</i>				
<i>Direct Programs:</i>				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-128-00	2,065,805	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-241-00	2,310,181	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-090-00	997,866	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-209-00	347,650	-
Total Federal Transit - Formula Grants (Urbanized Area Formula Program)			5,721,502	-
<i>Highway Safety Cluster</i>				
<i>Pass-through the State of California Office of Traffic Safety:</i>				
State and Community Highway Safety	20.600	PT21126	7,559	-
State and Community Highway Safety	20.600	PT22177	16,151	-
Total Highway Safety Cluster			23,710	-
<i>Pass-through the State of California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21126	36,264	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20052	17,256	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			53,520	-
Total U.S. Department of Transportation			5,798,732	-
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
<i>Pass-through the County of Los Angeles:</i>				
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	ENP202105	1,000	-
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SSP192003	31,231	-
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ENP202105	371,582	-
COVID-19 Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ENP202105	301,166	-
COVID-19 Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ENP202105	42,998	-
COVID-19 Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ENP202105	6,545	-
Nutrition Services Incentive Program	93.053	ENP202105	48,105	-
COVID-19 Nutrition Services Incentive Program	93.053	ENP202105	23,865	-
Total Aging Cluster			826,492	-

(Continued)

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

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
<i>CCDF Cluster</i>				
<i>Pass-through the State of California Department of Education:</i>				
Childcare and Development Block Grant	93.575	CCTR-1084	605,609	-
Childcare Mandatory and Matching Funds of the Childcare and Development Fund	93.596	CCTR-1084	512,170	-
Total CCDF Cluster			1,117,779	-
Total U.S. Department of Health and Human Services			1,944,271	-
U.S. Department of Homeland Security				
<i>Pass-through the State of California Governor's Office of Emergency Services:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4482DR	126,583	-
<i>Pass-through Los Angeles County</i>				
State Homeland Security Program	97.067	EMW-2018-SS-00054	70,150	-
Total U.S. Department of Homeland Security			196,733	-
U.S. Treasury				
<i>Pass-through the State of California Department of Finance:</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027		638,855	-
Total U.S. Treasury			638,855	-
Total Expenditures of Federal Awards			\$9,081,650	\$ 20,000

(Concluded)

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

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the City of Gardena, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organization, establishing financial accountability:

- City of Gardena Public Improvement Corporation

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds and enterprise fund of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds and the accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California Office of Traffic Safety, the State of California Department of Education, the State of California Department of Finance, and the County of Los Angeles are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate.

Note 3 – Subrecipients

During the year ended June 30, 2022, the City provided federal funds to the following subrecipient:

Assistance Listing		Amount Provided
Numbers	Program Name / Subrecipient Name	to Subrecipient
14.218	Community Development Block Grants/Entitlement Grants:	
	The Fair Housing Foundation	\$ 20,000

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

Section I – Summary of Auditors’ Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

No

- Significant deficiency(ies) identified?

None Reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?

No

- Significant deficiency(ies) identified?

2022-001 to 2002-004

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

Unmodified

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

Yes

Identification of major federal programs:

Assistance Listing Numbers	Name of Major Program or Cluster	Federal Expenditures
	<i>CDBG - Entitlement Grants Cluster:</i>	
14.218	Community Development Block Grants/Entitlement Grants	\$ 401,683
	Total CDBG - Entitlement Grants Cluster	401,683
	<i>Federal Transit Cluster:</i>	
20.507	Federal Transit - Formula Grants	5,721,502
	Total Federal Transit Cluster	5,721,502
	<i>Aging Cluster:</i>	
93.044	Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	32,231
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	722,291
93.053	Nutrition Services Incentive Program	71,970
	Total Aging Cluster	826,492
	<i>CCDF Cluster:</i>	
93.575	Childcare and Development Block Grant	605,609
93.596	Childcare Mandatory and Matching Funds of the Childcare and Development Fund	512,170
	Total CCDF Cluster	1,117,779
	Total Expenditures of All Major Federal Programs	\$ 8,067,456
	Total Expenditures of Federal Awards	\$ 9,081,650
	Percent of Total Expenditures of Federal Awards	88.83%

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

\$750,000

Auditee qualified as a low-risk auditee in accordance with 2 CFR 200.520?

Yes

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

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement

No current year findings were noted.

B. Prior Year Findings – Financial Statement

No prior year findings were noted.

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

Section III – Federal Award Findings and Questioned Costs

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

Finding: 2022-001 Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants / Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577/B-20-MW-06-0577

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

Pursuant to §200.430 Compensation - Personal Services under Uniform Guidance Title 2 Grants and Agreement, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles:

In general, costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph in accordance with the Standards for Documentation of Personnel Expenses.

When budget estimates are used, the Standards for Documentation of Personnel Expenses require the following: Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

- (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
- (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-001 Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures (Continued)

Condition:

During our audit, we noted that the City charged the payroll related expenditures to the program based on the City Council approved budget and payroll allocation percentage; however, there was no further justification of actual activities performed by the City staff during the year to the budgeted allocation.

Cause:

The program did not follow the Uniform Guidance requirements.

Effect or Potential Effect:

Without further reviewing and reconciliation over actual activities performed by the City staff, it resulted in the City not in compliance with the Uniform Guidance.

Questioned Costs:

None noted.

Context:

See condition above for the context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City incorporate the Uniform Guidance requirements into its existing policies and procedures to ensure the City is in compliance with the Uniform Guidance.

Views of Responsible Officials:

Management concurs the finding.

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

Section III – Federal Award Findings and Questioned Costs

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

Finding: 2022-002 Cash Management – Internal Control and Compliance over Drawdown Requests

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants / Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577/B-20-MW-06-0577

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

Pursuant to the City's Administrative Policy & Procedures Ref: APP-2022-002: Drawdowns: A drawdown is a request for payment against a grantee's line of credit. Grantees create a voucher in Integrated Disbursement and Information System ("IDIS") Online to draw down funds. Grantees draw funds as required to pay for work that has occurred for an activity. Once the grantee creates and approves a drawdown voucher in IDIS Online, HUD will process the voucher request and wire-transfer the requested amount to the grantee in two to three business days. Drawdowns will be processed by two staff members, one to initiate and create the drawdown and the second to verify and approve. The City will complete drawdowns within 60 days of the end of each fiscal quarter with the exception of the last quarter to allow for the calculation of end-of-year expenses.

Pursuant to the City's Administrative Policy & Procedures Ref: APP-2013-003: *Compliance with Grant Requirement*: Request for reimbursement (drawdown) are accurate and submitted on scheduled (or as soon as possible after completion of related grant activities). *Close out*: Grants should be closed out when the grant has expired (reached the end date) and all open administrative, compliance, legal and audit issues have been resolved.

Condition:

During our audit, we noted that the Community Development Block Grants / Entitlement Grants drawdown requests were not performed timely.

- July 2021 through May 2022 related expenditures drawdown request was requested on June 9, 2022
- June 2022 related expenditures drawdown request was requested on January 31, 2023.

Quarterly (End Date)	Reimbursement Deadlines	Requested Date
September 30, 2021	November 30, 2021	June 9, 2022
December 31, 2021	February 28, 2022	June 9, 2022
March 31, 2022	May 30, 2022	June 9, 2022
June 30, 2022	After year-end accrual	January 31, 2023

Cause:

The City did not follow the grant management policies in place to ensure the reimbursement requests are being prepared for timely submission.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-002 Cash Management – Internal Control and Compliance over Drawdown Requests (Continued)

Effect or Potential Effect:

The City is not in compliance with its grant management policies. The delay in requesting the drawdown requests only impacts the City's cashflow and it also resulted in filing the Consolidated Annual Performance and Evaluation Report late.

Questioned Costs:

None noted.

Context:

See condition above for the context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City follow its grant management policies to ensure drawdown requests and close outs are submitted and prepared timely.

Views of Responsible Officials:

Management concurs the finding.

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

Section III – Federal Award Findings and Questioned Costs

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

Finding: 2022-003 Cash Management – Internal Control and Compliance over Reimbursement Requests and Close Outs

Identification of the Federal Program:

Assistance Listing Numbers:	16.034/16.738
Assistance Listing Title:	Coronavirus Emergency Supplemental Funding Edward Byrne Memorial Justice Assistance Grant Program
Federal Agency:	U.S. Department of Justice
Pass-Through Entity:	N/A
Federal Award Identification Number:	2020-VD-BX-1207 2019-DJ-BX-0160/ 2020-DJ-BX-0486

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

Pursuant to the City's Administrative Policy & Procedures Ref: APP-2013-003: *Compliance with Grant Requirement*: Request for reimbursement (drawdown) are accurate and submitted on scheduled (or as soon as possible after completion of related grant activities). *Close out*: Grants should be closed out when the grant has expired (reached the end date) and all open administrative, compliance, legal and audit issues have been resolved.

Pursuant to the U.S. Department of Justice Grant Manager's Memorandum, PT. I: Project Summary Project Number #2019-DJ-BX-0160 section 7 Program Period: from 10/1/2018 to 9/30/2020.

Condition:

During our audit, we noted that the reimbursement requests for programs - Coronavirus Emergency Supplemental Funding and Edward Byrne Memorial Justice Assistance Grant Program were not requested from the Department of Justice and the old grant closeout was not closed out accordingly.

Cause:

The City did not follow the grant management policies in place to ensure the reimbursement requests are being prepared for timely submission. In addition, the City did not monitor the grant agreement to ensure the grant's period of performance requirement is met.

Effect or Potential Effect:

The City is not in compliance with its grant management policies.

Questioned Costs:

None noted.

Context:

See condition above for the context of the finding.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-003 Cash Management – Internal Control and Compliance over Reimbursement Requests and Close Outs (Continued)

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City follow its grant management policies to ensure reimbursement requests and close outs are submitted and prepared timely.

Views of Responsible Officials:

Management concurs the finding.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-004 Reporting – Internal Control and Compliance over Reporting

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577, B-20-MW-06-0577

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

Pursuant to the City's Administrative Policy & Procedures Ref: APP-2022-002: Action Plan - Due to HUD by May 15th for the following fiscal year which begins July 1, CAPER - Due 90 days after the end of the fiscal year (September 30th)

Pursuant to the Uniform Guidance April 2022 Compliance Supplement:

PR29, *Cash on Hand Quarterly Reports* – PR29 in the IDIS reports the financial status of the grants and cooperative agreement funds and cash transactions using those funds. These reports are required to be submitted to HUD on a quarterly basis, 30 days after the reporting period end date. The due dates of each quarterly report is noted below:

Reporting Period (End Date)	Grantee Submission Deadlines
September 30, 2021	October 30, 2021
December 31, 2021	January 30, 2022
March 31, 2022	April 30, 2022
June 30, 2022	July 30, 2022

Consolidated Annual Performance and Evaluation Report ("CAPER") (24 CFR 91.520):

Integrated Disbursement and Information System (IDIS) (OMB No. 2506-0077) – Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement program 90 days after the end of a grantee's program year. Section IV.B.2.(c) of the CDBG-CV Notice reiterated the waiver authorized by a May 7, 2020, HUD memorandum (found in the waiver information link noted in IV. Other Information, below) that waives the 90 day requirement for program year 2019 annual performance and evaluation reports, subject to the condition that within 180 days after the evaluation reports, subject to the condition that within 180 days after the close of a jurisdiction's program year that it submit its performance report. Auditors are only expected to test information extracted from IDIS in the following system-generated reports and which include (1) PR26 – CDBG Financial Summary Report ("PR26").

A grantee's CAPER, submitted through the IDIS e-Con Planning Suite, is due 90 days after the close of a jurisdiction's program year.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-004 Reporting – Internal Control and Compliance over Reporting (Continued)

Condition:

During the audit, we noticed that the City did not prepare the Annual Action Plan within the timeframe to meet its grant management policy.

- FY2021-2022 Annual Action Plan was adopted on August 10, 2021 (not before May 15, 2021)
- FY2022-2023 Annual Action Plan was adopted on August 9, 2022 (not before May 15, 2022)

During the audit, we noticed that three out of four quarters the PR29 were not filed within the deadline and noted below:

Reporting Period (End Date)	Grantee Submission Deadlines	Filed Date
September 30, 2021	October 30, 2021	March 6, 2023
December 31, 2021	January 30, 2022	March 6, 2023
March 31, 2022	April 30, 2022	July 28, 2022
June 30, 2022	July 30, 2022	July 28, 2022

During the audit, we noticed that the PR26 and the CAPER was not filed as of March 22, 2023.

Cause:

The City did not follow the grant management policies in place to ensure the reporting requirements are met.

Effect or Potential Effect:

The City was not in compliance with the program's reporting requirements.

Questioned Costs:

None noted.

Context:

See condition above for the context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

Finding: 2022-003 Reporting – Internal Control and Compliance over Reporting (Continued)

Recommendation:

We recommended the City follow its grant management policies to ensure the reporting requirements are met.

Views of Responsible Officials:

Management concurs the finding.

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

Section III – Federal Award Findings and Questioned Costs (Continued)

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

No prior year findings were noted.

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