

**CITY OF SAN DIEGO, CALIFORNIA**

Federal Single Audit Reports

For the Fiscal Year Ended  
June 30, 2023

**CITY OF SAN DIEGO, CALIFORNIA**  
Federal Single Audit Reports  
For the Fiscal Year Ended June 30, 2023

*Table of Contents*

|   | <i>Page</i> |
|---|-------------|
| Independent Auditor’s Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance With <i>Government Auditing Standards</i> ..... | 1           |
| Independent Auditor’s Report on Compliance for Each Major Federal Program;<br>Report on Internal Control Over Compliance; and Report on Schedule of<br>Expenditures of Federal Awards Required by the Uniform Guidance .....          | 3           |
| Schedule of Expenditures of Federal Awards.....   | 7           |
| Notes to the Schedule of Expenditures of Federal Awards.....  | 9           |
| Schedule of Findings and Questioned Costs.....  | 16          |
| Summary Schedule of Prior Audit Findings.....   | 20          |



**Independent Auditor’s 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***

To the Honorable Mayor and Members of City Council  
City of San Diego, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2023, 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 29, 2023. Our report includes a reference to other auditors who audited the financial statements of the San Diego Housing Commission, a discretely presented component unit, as described in our report on the City’s financial statements. This report includes our consideration of the results of the other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. Our report also includes emphasis of matters paragraphs indicating the City implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology Arrangements*, and the effect of the additional contribution related to the unwinding of Proposition B as of June 30, 2023. Our opinion is not affected by these matters.

**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 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 or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California  
December 29, 2023

**Independent Auditor’s 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**

To the Honorable Mayor and Members of the City Council  
City of San Diego, California

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the City of San Diego, California’s (City), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the fiscal year ended June 30, 2023. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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 major federal programs for the fiscal year ended June 30, 2023.

***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 (GAAS); 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 requirement 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 Auditor’s 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.

***Other Matters – Federal Expenditures Not Included in the Compliance Audit***

The City’s basic financial statements include the operations of the San Diego Housing Commission (SDHC), which expended \$336,797,764 in federal awards which is not included in the City’s accompanying schedule of expenditures of federal awards for the fiscal year ended June 30, 2023. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of SDHC because SDHC engaged other auditors to perform an audit of compliance.

### ***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.

### ***Auditor's 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***

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 item 2023-001. 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 Auditor's 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. 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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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 finding identified in our compliance audit described in the accompanying schedule of findings and questioned cost. The City's response was not subject 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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We and other auditors have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 29, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole.

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 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.

*Macias Gini & O'Connell LLP*

San Diego, California  
March 28, 2024



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CITY OF SAN DIEGO, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

| Federal Grantor/Pass-through Entity/Federal Program Name   | Grant/Pass-through Number | Federal Assistance Listing Number | Federal Expenditures | Pass-through Awards to Subrecipients |
|--|---------------------------|-----------------------------------|----------------------|--------------------------------------|
| <b>U.S. Department of Commerce</b>   |                           |                                   |                      |                                      |
| Economic Development Cluster:  |                           |                                   |                      |                                      |
| Economic Adjustment Assistance:  |                           |                                   |                      |                                      |
| Direct Program   |                           |                                   |                      |                                      |
| San Diego Regional Consolidated Revolving Loan Fund  | 07-57-05269               | 11.307                            | \$ 2,048,741         | \$ -                                 |
|  | 07-79-07563               | 11.307                            | 98,696               | -                                    |
| COVID-19 CARES Act Revolving Loan Fund   | 07-79-07601               | 11.307                            | 1,211,233            | -                                    |
| Subtotal Economic Adjustment Assistance  |                           |                                   | \$ 3,358,670         | -                                    |
| Subtotal Economic Development Cluster  |                           |                                   | 3,358,670            | -                                    |
| Passed Through National Fish and Wildlife Foundation<br>Office for Coastal Management  | 0318 22 072574            | 11.473                            | 47,074               | -                                    |
| <b>Total U.S. Department of Commerce</b>   |                           |                                   | <b>3,405,744</b>     | <b>-</b>                             |
| <b>U.S. Department of Defense</b>  |                           |                                   |                      |                                      |
| Passed Through San Diego Association of Governments<br>Community Economic Adjustment Assistance for Responding to Threats to the Resilience of Military Installation | S893768-Project 1600505   | 12.003                            | 32,811               | -                                    |
| <b>Total U.S. Department of Defense</b>  |                           |                                   | <b>32,811</b>        | <b>-</b>                             |
| <b>U.S. Department of Housing and Urban Development</b>  |                           |                                   |                      |                                      |
| CDBG - Entitlement Grants Cluster:   |                           |                                   |                      |                                      |
| Direct Program   |                           |                                   |                      |                                      |
| Community Development Block Grants/Entitlement Grants  | *                         | 14.218                            | 20,226,920           | 7,094,689                            |
| COVID-19 Community Development Block Grants/Entitlement Grants   | B-20-MW-060542            | 14.218                            | 4,081,558            | 3,664,932                            |
| Subtotal Community Development Block Grants/Entitlement Grants   |                           |                                   | 24,308,478           | 10,759,621                           |
| Subtotal CDBG - Entitlement Grants Cluster   |                           |                                   | 24,308,478           | 10,759,621                           |
| Direct Program   |                           |                                   |                      |                                      |
| Emergency Solutions Grant Program  | *                         | 14.231                            | 913,456              | 883,353                              |
| COVID-19 Emergency Solutions Grant Program   | E-20-MW-06-0542           | 14.231                            | 3,800,283            | 3,522,776                            |
| Subtotal Emergency Solutions Grant Program   |                           |                                   | 4,713,739            | 4,406,129                            |
| Direct Program   |                           |                                   |                      |                                      |
| Home Investment Partnerships Program   | *                         | 14.239                            | 5,203,328            | 5,128,750                            |
| COVID-Home Investment Partnerships Program   | M21-MP060533              | 14.239                            | 70,520               | -                                    |
| Subtotal Home Investment Partnerships Program  |                           |                                   | 5,273,848            | 5,128,750                            |
| <b>Total U.S. Department of Housing and Urban Development</b>  |                           |                                   | <b>34,296,065</b>    | <b>20,294,500</b>                    |
| <b>U.S. Department of the Interior</b>   |                           |                                   |                      |                                      |
| Direct Program   |                           |                                   |                      |                                      |
| Title XVI Water Reclamation and Reuse  | R20AP00024                | 15.504                            | 111,035              | -                                    |
| Passed Through State of California Department of Boaring & Waterways<br>Clean Vessel Acvt  | C8964464(Tentative)       | 15.616                            | 131,936              | -                                    |
| <b>Total U.S. Department of the Interior</b>   |                           |                                   | <b>242,971</b>       | <b>-</b>                             |
| <b>U.S. Department of Justice</b>  |                           |                                   |                      |                                      |
| Direct Program   |                           |                                   |                      |                                      |
| Law Enforcement Assistance FBI Crime Laboratory Support  | 15-0200-0-1-751           | 16.301                            | 21,854               | -                                    |
| Missing Children's Assistance  | *                         | 16.543                            | 278,921              | 122,784                              |
| Special Data Collections and Statistical Studies   | 2016-FU-CX-K060           | 16.734                            | (29)                 | -                                    |
| Edward Byrne Memorial Justice Assistance Grant Program   | *                         | 16.738                            | 275,281              | -                                    |
| DNA Backlog Reduction Program  | *                         | 16.741                            | 438,425              | -                                    |
| Equitable Sharing Program  | CA0371100                 | 16.922                            | 229,045              | -                                    |
| Passed Through The Children's Initiative<br>Project Safe Neighborhoods   | PSN-20-079916824          | 16.609                            | 37,967               | -                                    |
| Passed Through California Governor's Office of Emergency Services<br>Paul Coverdell Forensic Sciences Improvement Grant Program                                      | *                         | 16.742                            | 73,333               | -                                    |
| <b>Total U.S. Department of Justice</b>  |                           |                                   | <b>1,354,797</b>     | <b>122,784</b>                       |
| <b>U.S. Department of Transportation</b>   |                           |                                   |                      |                                      |
| Direct Program   |                           |                                   |                      |                                      |
| Airport Improvement Program  | 3-06-0211-019-2021        | 20.106                            | 244,417              | -                                    |
| COVID-Airport Improvement Program  | *                         | 20.106                            | (81,630)             | -                                    |
| Subtotal Airport Improvement Program   |                           |                                   | 162,787              | -                                    |
| Highway Planning and Construction Cluster:   |                           |                                   |                      |                                      |
| Passed Through State Department of Transportation<br>Highway Planning and Construction   | *                         | 20.205                            | 12,884,886           | -                                    |
| Subtotal Highway Planning and Construction Cluster   |                           |                                   | 12,884,886           | -                                    |
| Highway Safety Cluster:  |                           |                                   |                      |                                      |
| Passed Through California Office of Traffic Safety<br>State and Community Highway Safety   | *                         | 20.600                            | 551,535              | -                                    |
| National Priority Safety Programs  | *                         | 20.616                            | 269,090              | -                                    |
| Subtotal Highway Safety Cluster  |                           |                                   | 820,625              | -                                    |
| Passed Through California Office of Traffic Safety<br>Minimum Penalties for Repeat Offenders for Driving While Intoxicated   | *                         | 20.608                            | 386,676              | -                                    |
| Passed Through California Department of Alcoholic Beverage Control<br>Minimum Penalties for Repeat Offenders for Driving While Intoxicated                           | 22-OTS15                  | 20.608                            | 27,134               | -                                    |
| Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated  |                           |                                   | 413,810              | -                                    |
| <b>Total U.S. Department of Transportation</b>   |                           |                                   | <b>14,282,108</b>    | <b>-</b>                             |

\* Refer to Note 7 for the listing of grant/pass-through numbers for programs with multiple grant awards.

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

**CITY OF SAN DIEGO, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2023**

| Federal Grantor/Pass-through Entity/Federal Program Name                             | Grant/Pass-through Number | Federal Assistance Listing Number | Federal Expenditures         | Pass-through Awards to Subrecipients |
|--|---------------------------|-----------------------------------|------------------------------|--------------------------------------|
| <b>U.S. Department of the Treasury</b>   |                           |                                   |                              |                                      |
| Direct Programs  |                           |                                   |                              |                                      |
| Equitable Sharing  | CA0371100                 | 21.016                            | \$ 736,796                   | \$ -                                 |
| Direct Programs  |                           |                                   |                              |                                      |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds                           | SLFRP1975                 | 21.027                            | \$ 147,633,704               | -                                    |
| Passed Through California State Water Resources Control Board                        |                           |                                   |                              |                                      |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds                           | CA3710020                 | 21.027                            | 8,678,985                    | -                                    |
| Passed Through California Volunteers   |                           |                                   |                              |                                      |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds                           | JP1002                    | 21.027                            | 2,868,648                    | -                                    |
| Subtotal Coronavirus State and Local Fiscal Recovery Funds                           |                           |                                   | <u>159,181,337</u>           | <u>-</u>                             |
| <b>Total U.S. Department of the Treasury</b>   |                           |                                   | <b><u>159,918,133</u></b>    | <b><u>-</u></b>                      |
| <b>U.S. Federal Communications Commission</b>  |                           |                                   |                              |                                      |
| Passed Through Universal Service Administrative Company                              |                           |                                   |                              |                                      |
| Emergency Connectivity Fund Program  | *                         | 32.009                            | 515,241                      | -                                    |
| <b>Total U.S. Federal Communications Commission</b>                                  |                           |                                   | <b><u>515,241</u></b>        | <b><u>-</u></b>                      |
| <b>U.S. Institute of Museum and Library Services</b>                                 |                           |                                   |                              |                                      |
| Passed Through California State Library  |                           |                                   |                              |                                      |
| Grants to States   | *                         | 45.310                            | 84,238                       | -                                    |
| <b>Total U.S. Institute of Museum and Library Services</b>                           |                           |                                   | <b><u>84,238</u></b>         | <b><u>-</u></b>                      |
| <b>U.S. Environmental Protection Agency</b>  |                           |                                   |                              |                                      |
| Drinking Water State Revolving Fund Cluster:   |                           |                                   |                              |                                      |
| Passed Through California State Water Resources Control Board                        |                           |                                   |                              |                                      |
| Capitalization Grants for Drinking Water State Revolving Funds                       | D16-02102                 | 66.468                            | 300,431                      | -                                    |
| Subtotal Drinking Water State Revolving Fund Cluster                                 |                           |                                   | <u>300,431</u>               | <u>-</u>                             |
| Direct Program   |                           |                                   |                              |                                      |
| Water Infrastructure Finance and Innovation (WIFIA)                                  | N17125CA                  | 66.958                            | 105,265,401                  | -                                    |
| <b>Total U.S. Environmental Protection Agency</b>                                    |                           |                                   | <b><u>105,565,832</u></b>    | <b><u>-</u></b>                      |
| <b>U.S. Department of Health and Human Services</b>                                  |                           |                                   |                              |                                      |
| Passed Through California Governor's Office of Emergency Services                    |                           |                                   |                              |                                      |
| Family Violence Prevention & Services/Sexual Assault/Rate Crisis Services & Supports | AR22 01 7979              | 93.497                            | 23,171                       | -                                    |
| <b>Total U.S. Department of Health and Human Services</b>                            |                           |                                   | <b><u>23,171</u></b>         | <b><u>-</u></b>                      |
| <b>U.S. Department of Homeland Security</b>  |                           |                                   |                              |                                      |
| Direct Programs  |                           |                                   |                              |                                      |
| National Urban Search and Rescue (US&R) Response System                              | *                         | 97.025                            | 1,563,987                    | -                                    |
| Assistance to Firefighters Grant   | EMW-2019-FG-01379         | 97.044                            | 559,075                      | -                                    |
| Passed Through California State Department of Parks and Recreation                   |                           |                                   |                              |                                      |
| Boating Safety Financial Assistance  | C18L0617                  | 97.012                            | 83,917                       | -                                    |
| Passed Through California Governor's Office of Emergency Services                    |                           |                                   |                              |                                      |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)              | FEMA-4482-DR-CA/073-66000 | 97.036                            | 2,046,985                    | -                                    |
| Passed Through California Department of Water Resources                              |                           |                                   |                              |                                      |
| National Dam Safety Program  | *                         | 97.041                            | 173,428                      | -                                    |
| Passed Through the County of San Diego   |                           |                                   |                              |                                      |
| Emergency Management Performance Grants  | *                         | 97.042                            | 233,704                      | -                                    |
| Passed Through the County of San Diego   |                           |                                   |                              |                                      |
| Homeland Security Grant Program  | *                         | 97.067                            | 407,542                      | -                                    |
| Passed Through California Governor's Office of Emergency Services                    |                           |                                   |                              |                                      |
| Homeland Security Grant Program  | *                         | 97.067                            | 9,664,711                    | 5,056,040                            |
| Subtotal Homeland Security Grant Program   |                           |                                   | <u>10,072,253</u>            | <u>5,056,040</u>                     |
| <b>Total U.S. Department of Homeland Security</b>                                    |                           |                                   | <b><u>14,733,349</u></b>     | <b><u>5,056,040</u></b>              |
| <b>Total Expenditures of Federal Awards</b>  |                           |                                   | <b><u>\$ 334,454,460</u></b> | <b><u>\$ 25,473,324</u></b>          |

\* Refer to Note 7 for the listing of grant/pass-through numbers for programs with multiple grant awards.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2023

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal award programs of the City of San Diego, California (City). The Schedule excludes the federal award programs of the San Diego Housing Commission (refer to Note 5). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California (State), are included in the Schedule. The City's reporting entity is defined in Note 1.a. in the notes to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not, present the financial position of the City. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the accompanying Schedule are presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1.c. in the notes to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The negative amount of \$29 reported for Assistance Listing Number (ALN) 16.734, Special Data Collections and Statistical Studies grant number 2016-FU-CX-K0606 represent correction of prior year's federal expenditures that were ineligible and moved to another funding source in the current fiscal year.

**NOTE 3 – ASSISTANCE LISTING NUMBERS**

The ALNs included in the accompanying Schedule were determined based on the federal program name, review of grant contract information, and the Office of Management and Budget's Catalog of Assistance Listings.

**NOTE 4 – INDIRECT COST RATES**

The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, except for the Homeland Security Grant Program passed through the California Governor's Office of Emergency Services (ALN 97.067, Homeland Security Grant Program grant numbers 2018-0054/0073-66000, 2019-0035/0073-66000, 2020-0095/073-66000, and 2021-0081/073-66000).

**NOTE 5 – SAN DIEGO HOUSING COMMISSION (DISCRETELY PRESENTED COMPONENT UNIT) FEDERAL EXPENDITURES**

The San Diego Housing Commission (SDHC) federal expenditures of \$336,797,764 are excluded from the City's Schedule because the SDHC federal expenditures are separately audited by other auditors and reported in a separate Uniform Guidance report.

**CITY OF SAN DIEGO, CALIFORNIA**

Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 6 – ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM (ALN 11.307)**

In accordance with guidance provided by the U.S. Department of Commerce contained in the *OMB Compliance Supplement*, the City has reported federal award expenditures of \$3,358,670. \$3,259,974 out of \$3,358,670 in the Schedule are for the Revolving Loan Fund (RLF) Program under the Economic Adjustment Assistance program. Expenditures reported in the Schedule were calculated as follows:

| RLF Program Name  | San Diego<br>Regional<br>Consolidated RLF | CARES Act<br>RLF |
|---|---|------------------|
| Grant Award Number  | 07-57-05269                               | 07-79-07601      |
| RLF Outstanding<br>as of June 30, 2023  | \$ 974,676                                | \$ 969,184       |
| Cash and investments balance in the RLF<br>as of June 30, 2023  | 2,569,030                                 | 126,546          |
| Administrative expenses paid out of RLF<br>income during the fiscal year ended<br>June 30, 2023                   | 42,931                                    | 42,500           |
| Write Offs in Current Fiscal Year   | 50,500                                    | 73,003           |
| Subtotal  | 3,637,137                                 | 1,211,233        |
| Calculated grant rate (rounded)   | 56.33%                                    | 100.00%          |
| Economic Adjustment Assistance RLF Grant<br>federal award expenditures for the fiscal year<br>ended June 30, 2022 | \$ 2,048,741                              | \$ 1,211,233     |

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 7 – FEDERAL AWARD PROGRAM EXPENDITURES BY GRANT AWARD**

The following table presents the expenditures for the City’s federal award programs when there are multiple grant awards.

| ALN/Federal Program Name/Grant Number  | Federal Expenditures        |
|--|-----------------------------|
| <b>ALN 14.218 - Community Development Block Grants/Entitlement Grants</b>      |                             |
| B-17-MC-06-0542  | \$ (1,000,000)              |
| B-18-MC-06-0542  | (3,351,337)                 |
| B-19-MC-06-0542  | 388,592                     |
| B-20-MC-06-0542  | 3,813,952                   |
| B-21-MC-06-0542  | 6,126,329                   |
| B-22-MC-06-0542  | 14,249,384                  |
| <b>Total Community Development Block Grants/Entitlement Grants</b>             | <b><u>\$ 20,226,920</u></b> |
| <br><b>ALN 14.231 - Emergency Solutions Grant Program</b>                      |                             |
| E-20-MC-06-0542  | \$ 2,201                    |
| E-21-MC-06-0542  | 408,234                     |
| E-22-MC-06-0542  | 503,021                     |
| <b>Total Emergency Solutions Grant Program</b>                                 | <b><u>\$ 913,456</u></b>    |
| <br><b>ALN 14.239 - Home Investment Partnerships Program</b>                   |                             |
| M-18-MC-06-0533  | \$ 13,783                   |
| M-19-MC-06-0533  | 4,245,047                   |
| M-20-MC-06-0533  | 40,507                      |
| M-21-MC-06-0533  | 5,417                       |
| M22-MC060533   | 898,574                     |
| <b>Total Home Investment Partnerships Program</b>                              | <b><u>\$ 5,203,328</u></b>  |
| <br><b>ALN 16.543 – Missing Children’s Assistance</b>                          |                             |
| 2018-MC-FX-K055  | \$ 62,292                   |
| 15PJDP-21-GK-03811-MECP  | 216,629                     |
| <b>Total Missing Children’s Assistance</b>                                     | <b><u>\$ 278,921</u></b>    |
| <br><b>ALN 16.738 - Edward Byrne Memorial Justice Assistance Grant Program</b> |                             |
| 15PBJA-21-GG-01268-JAGX  | \$ 234,208                  |
| 2019-DJ-BX-0865  | 11,959                      |
| 2020-DJ-BX-0790  | 29,114                      |
| <b>Total Edward Byrne Memorial Justice Assistance Grant Program</b>            | <b><u>\$ 275,281</u></b>    |

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 7 – FEDERAL AWARD PROGRAM EXPENDITURES BY GRANT AWARD (Continued)**

| ALN/Federal Program Name/Grant Number  | Federal Expenditures |
|--|----------------------|
| <b>ALN 16.741 - DNA Backlog Reduction Program</b>                              |                      |
| 15PBJA-21-GG-03088-DNAX  | \$ 142,239           |
| 2020-DN-BX-0138  | 296,186              |
| <b>Total DNA Backlog Reduction Program</b>                                     | <b>\$ 438,425</b>    |
| <b>ALN 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program</b> |                      |
| CQ20-16-7919   | \$ (1,890)           |
| CQ21-17-7919   | 75,223               |
| <b>Total Paul Coverdell Forensic Sciences Improvement Grant Program</b>        | <b>\$ 73,333</b>     |
| <b>ALN 20.106 – Airport Improvement Program</b>                                |                      |
| 3-06-0211-018-2020   | \$ 14,399            |
| 3-06-0213-021-2020   | (96,029)             |
| <b>Total Airport Improvement Program</b>                                       | <b>\$ (81,630)</b>   |
| <b>ALN 20.205 - Highway Planning and Construction</b>                          |                      |
| ATPL-5004(201)   | \$ (41,056)          |
| BHLO-5004(068)   | 551,626              |
| BHLS-5004(049)   | 10,935,782           |
| BPMP-5004(188)   | (1,785)              |
| BPMP-5004(189)   | 14,160               |
| BRLNS-5004(007)  | (36,409)             |
| BRLO-5004(009)   | 607,093              |
| BRLS-5004(198)   | 73,920               |
| BRLS-5004(200)   | 78,594               |
| FERPL16-5004(208)  | 147,703              |
| HPLUL-5004(177)  | 34,524               |
| HPLUL-5004(187)  | 175,654              |
| HSIPL-5004(207)  | 285,229              |
| HSIPL-5004(209)  | 13,931               |
| HSIPL-5004(210)  | 527                  |
| HSIPL-5004(211)  | 45,393               |
| <b>Total Highway Planning and Construction</b>                                 | <b>\$ 12,884,886</b> |



**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 7 – FEDERAL AWARD PROGRAM EXPENDITURES BY GRANT AWARD (Continued)**

| ALN/Federal Program Name/Grant Number  | Federal Expenditures |
|--|----------------------|
| <b>ALN 20.600 - State and Community Highway Safety</b>                                       |                      |
| PS22013  | \$ 228,000           |
| PS23028  | 104,500              |
| PT22069  | 54,766               |
| PT23168  | 164,269              |
| <b>Total State and Community Highway Safety</b>  | <b>\$ 551,535</b>    |
| <br><b>ALN 20.608 - Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b> |                      |
| PT22069  | \$ 124,091           |
| PT23168  | 262,585              |
| <b>Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>            | <b>\$ 386,676</b>    |
| <br><b>ALN 20.616 - National Priority Safety Programs</b>                                    |                      |
| DI22010  | \$ 28,711            |
| DI23020  | 240,379              |
| <b>Total National Priority Safety Programs</b>   | <b>\$ 269,090</b>    |
| <br><b>ALN 32.009 – Emergency Connectivity Fund Program</b>                                  |                      |
| ECF202103546   | \$ (9,111)           |
| ECF202203096   | 524,352              |
| <b>Total Emergency Connectivity Fund Program</b>   | <b>\$ 515,241</b>    |
| <br><b>ALN 45.310 – Grants to States</b>   |                      |
| 40-9224  | \$ 3,193             |
| 40-9337  | 49,989               |
| 40-9386  | 31,056               |
| <b>Total Grants to States</b>  | <b>\$ 84,238</b>     |

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 7 – FEDERAL AWARD PROGRAM EXPENDITURES BY GRANT AWARD (Continued)**

| ALN/Federal Program Name/Grant Number   | Federal Expenditures |
|---|----------------------|
| <b>ALN 97.025 - National Urban Search and Rescue (US&amp;R) Response System</b> |                      |
| EMW-2013-CA-USR-0009  | \$ 464,956           |
| EMW-2018-CA-USR-0009  | 53,366               |
| EMW-2019-CA-00080-S01   | 130,129              |
| EMW-2020-CA-00067-S01   | 339,757              |
| EMW-2021-CA-00062-S01   | 423,757              |
| EMW-2022-CA-00067-S01   | 152,012              |
| <b>Total National Urban Search and Rescue (US&amp;R) Response System</b>        | <b>\$ 1,563,987</b>  |
| <b>ALN 97.041 – National Dam Safety Program</b>                                 |                      |
| 346337-001  | \$ 65,484            |
| 346337-002  | 97,500               |
| 346337-003  | 10,444               |
| <b>Total National Dam Safety Program</b>  | <b>\$ 173,428</b>    |
| <b>ALN 97.042 – Emergency Management Performance Grants</b>                     |                      |
| 2021-0015/073-00000   | \$ 192,030           |
| 2022-0005/073-00000   | 41,674               |
| <b>Total Emergency Management Performance Grants</b>                            | <b>\$ 233,704</b>    |
| <b>ALN 97.067 - Homeland Security Grant Program</b>                             |                      |
| 2018-0054/073-66000   | \$ 66,518            |
| 2019-0035/073-66000   | 6,396,027            |
| 2020-0095/073-66000   | 2,500,885            |
| 2020-0095;073-00000   | 262,290              |
| 2021-0081/073-66000   | 701,281              |
| 2021-0081;073-00000   | 145,252              |
| <b>Total Homeland Security Grant Program</b>                                    | <b>\$ 10,072,253</b> |

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2023

**NOTE 7 – FEDERAL AWARD PROGRAM EXPENDITURES BY GRANT AWARD (Continued)**

The negative amount of \$1,000,000 reported for ALN 14.218 Community Development Block Grants/Entitlement Grants (CDBG) program grant number B-17-MC-06-0542 represents correction of prior year's federal expenditures. The City made an advance to a subrecipient in prior year, however the advance amount was returned by the subrecipient in the current fiscal year since the project was cancelled. The negative amount of \$3,351,337 reported for ALN 14.218 CDBG program grant number B-18-MC-06-0542 represents correction of prior year's federal expenditures that were ineligible and moved to another funding source in the current fiscal year. The negative amount of \$1,890 reported for ALN 16.742 Paul Coverdell Forensic Sciences Improvement Grant Program grant number CQ20-16-7919, represents correction of prior year's federal expenditures that were reported accrual basis. The actual disbursement was less than the accrued amount and the operating department is in process of refund back to the grantor or reduce an amount of the reimbursement request in next term. The negative amount of \$96,029 reported for ALN 20.106 Airport Improvement Program grant number 3-06-0213-021-2020, \$41,056 reported for ALN 20.205 Highway Planning and Construction (HPC) grant number ATPL-5004(201), and \$1,785 reported for ALN 20.205 HPC grant number BPMPL-5004(188) represent correction of prior year's federal expenditures that were ineligible and not reimbursable. The expenditure was moved to another funding source in the current fiscal year. The negative amount of \$36,409 reported for ALN 20.205 HPC grant number BRLNS-5004(007) represents correction of prior year's federal expenditures that were ineligible costs. The operating department will return the amount to the grantor. The negative amount of \$9,111 reported for ALN 32.009 grant number ECF202103546 represents correction of prior year's federal expenditures. The actual reimbursed amount was less than requested amount.

**NOTE 8 – WATER INFRASTRUCTURE FINANCE AND INNOVATION (WIFIA) LOAN AGREEMENT**

In November 2018, the City and the U.S. Environmental Protection Agency (USEPA) executed the WIFIA Program loan in the amount of up to \$614,000,000 payable from the Net System Revenues of the Water Utility Fund for the first phase of the Pure Water project. In September 2020, the City and USEPA executed another agreement to replace the previous agreement, with a majority of the terms staying exactly the same, but with a lower interest rate of 1.29%. Construction is anticipated to be completed in March 2027 with annual principal and interest payments on this loan commencing in August, 2024 through August, 2057. For the fiscal year ended June 30, 2023, the City received and expended \$105,265,401 from the USEPA related to ALN 66.958. The outstanding loan balance as of June 30, 2023 is \$189,217,267.

**NOTE 9 – EMERGENCY RENTAL ASSISTANCE**

The federal Emergency Rental Assistance (ERA) program makes funding available to assist households that are unable to pay rent or utilities due to the COVID-19 pandemic. Two separate programs have been established: ERA1 provides up to \$25 billion under the Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, and ERA2 provides up to \$21.55 billion under the American Rescue Plan Act of 2021, which was enacted on March 11, 2021. The City was awarded and received \$114,036,848 and \$122,863,026 for ERA1 and ERA2, respectively. Additionally, the City has been awarded \$74,897,774 of ERA Reallocation funds (Cashflow Loan Funds) passed through from the State of California.

**CITY OF SAN DIEGO, CALIFORNIA**

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2023

**NOTE 9 – EMERGENCY RENTAL ASSISTANCE (Continued)**

On June 23 2023, on behalf of the City of San Diego, the SDHC returned \$2,632,470.54 in unused ERA2 State Block Grant and \$13,499,886.97 in unused ERA Reallocation Funds to the California Department of Housing and Community Development. The City entered a memorandum of understanding for the administration of the COVID-19 Housing Stability Assistance Program (HSAP MOU) with the SDHC on March 2021. The City Council and the SDHC Housing Authority approved and authorized to transfer the awarded amount of the ERA programs to the SDHC to administrate the COVID-19 Housing Stability Assistance Program (HSAP Program). Upon the HSAP MOU, the SDHC is responsible for operation and oversight of the HSAP program in compliance with the HSAP Program policy and guidelines as well as the compliance requirements of the federal ERA program. Therefore, the accompanying SEFA does not contain ERA 1, ERA 2, and ERA Reallocation expenditures.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF SAN DIEGO, CALIFORNIA**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2023

**Section I – Summary of Audit Results**

***Financial Statements:***

|  |            |
|--|------------|
| Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting:   |            |
| • Material weakness(es) identified?  | No         |
| • Significant deficiency(ies) identified?  | No         |
| Noncompliance material to the financial statements noted?  | No         |

***Federal Awards:***

|  |            |
|--|------------|
| Internal control over major federal programs:  |            |
| • Material weakness(es) identified?  | No         |
| • Significant deficiency(ies) identified?  | Yes        |
| Type of auditor’s report issued on compliance for the 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 Number | Federal Program Name  |
|---------------------------|---|
| 21.027                    | Coronavirus State and Local Fiscal Recovery Funds                       |
| 97.036                    | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

|  |             |
|--|-------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$3,000,000 |
| Auditee qualified as low-risk auditee?                                   | Yes         |

**CITY OF SAN DIEGO, CALIFORNIA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2023

**Section II – Financial Statement Findings**

**A. Internal Control**

No matters reported.

**B. Compliance Findings**

No matters reported.

**Section III – Federal Award Findings**

|  |   |
|--|---|
| <b>Reference Number:</b>                   | <b>2023-001</b>   |
| <b>Category of Finding:</b>                | <b>Other Compliance and Significant Deficiency</b>            |
| <b>Type of Finding:</b>                    | <b>Significant Deficiency</b>                                 |
| <b>Federal program Title:</b>              | <b>Coronavirus State and Local Fiscal Recovery Funds</b>      |
| <b>Assistance Listing Number:</b>          | <b>21.027</b>   |
| <b>Federal Agency:</b>                     | <b>U.S. Department of the Treasury</b>                        |
| <b>Pass Through Agency and Year:</b>       | <b>California State Water Resources Control Board (SWRCB)</b> |
| <b>Pass-through Award Number and Year:</b> | <b>CA3710020; FY 2022-23</b>                                  |

**Criteria:**

The California Water and Wastewater Arrearage Payment Program Guidelines: Wastewater Arrearages, Section 6: Wastewater Treatment Providers and Wastewater Billing, 6.2.1.

The approved wastewater treatment provider and wastewater billing entities must:

Notify customers in writing of the amount credited. The acknowledgement must state that the credited amount is being provided through funding from the State Water Resources Control Board using federal American Rescue Plan Act (ARPA) funds.

Title 2 – Grants and Agreements, Subtitle A – Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D – Post Federal Award Requirements, §200.303 Internal Controls.

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statute, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

**CITY OF SAN DIEGO, CALIFORNIA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2023

§200.334 Retention requirements for records.

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure reports or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.

The control objective related to documentation retention is to provide reasonable assurance that the Federal awards passed through the California SWRCB are used to credit the City's water customer accounts, whose accounts had been in arrearages over 60 days, and the customer received a written notification of their arrearage being offset by the ARPA funds in accordance with the provision of California Water and Wastewater Arrearage Payment Program Guidelines.

**Condition:**

During our audit of the Coronavirus State and Local Fiscal Recovery Funds program, we noted that the City's Public Utilities Department (PUD) did not maintain documentation demonstrating compliance with Section 6.2.1 of the grant guidelines with the State of California related to the Water and Wastewater Arrearage Payment Program. Of the 25 account credits selected for testing we were unable to validate that five (5) customers were sent the required notification in accordance with the program guidelines.

**Cause:**

The PUD did not implement a consistent process to maintain records demonstrating compliance with the requirement to notify customers of the nature and sources of the account credits funded by the Water and Wastewater Arrearage Payment Program.

**Effect:**

Not providing customer proper and timely information on relief programs could result in customers not knowing of needed government-funded support resulting in undue stress and/or incorrect payment expectations. There is also an expectation that customers are informed that the funding used to credit accounts was through the State Water Resources Control Board using the ARPA funds.

**Questioned Costs:**

There are no questioned costs.

**Context:**

We selected 25 customer credits from a total population of 18,495, and noted that documentation of customer notification was not available for five (5) customer credits. This sample was not a statistically valid sample.

**Identification as a Repeat Finding:**

This is a repeat finding as Finding 2022-001.

**Recommendation:**

The PUD should evaluate current practices of maintaining compliance documentation to ensure records are complete and consistent to support and demonstrate compliance with applicable requirements.

**Views of Responsible Officials:**

The PUD management is in agreement with the finding 2023-001. This a timing issue and repeated finding of 2022-001 deficiency discovered at the end of fiscal year 2022 Single Audit.



**CITY OF SAN DIEGO  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

Reference Number: 2023-001

Audit Finding: Other Compliance

Corrective Action: The Public Utilities Department has re-evaluated the internal procedures and practices of maintaining compliance documentation. Third party vendors will no longer serve as an archive for notification documentation. All notification receipts and various forms of verification will be saved in house, on the City of San Diego's network.

This corrective action was set in place as of March 28, 2023, based on findings from the water arrearages program audit. The sewer arrearages program was also completed prior to the original corrective action plan date of March 28, 2023. This was the same finding for both the water and sewer arrearage program audits.

Moving forward with this action on a continual basis, once email notifications are sent to customers using an external service provider, notification confirmations will be immediately archived at the City of San Diego. The acknowledgement must state that the credited amount is being provided through funding from the State Water Resources Control Board using federal American Rescue Plan Act (ARPA) funds. This affords the City full control and oversight of the verification process for all future noticing. All available notification verifications from the third-party vendor will be downloaded and saved to the City network for future inquiries.

Furthermore, internal controls will be enhanced to ensure notification verification compliance. Upon notification to customers, the Billing and Financial Analytics Program Coordinator will oversee the immediate archiving of all confirmations of emails sent to customers using an external service provider. Once complete, the Billing and Financial Analytics Program Coordinator will notify the Program Manager, who will in turn, perform a secondary review of all notifications against the verification documentation to ensure accuracy. At this point, a

third level of approval will be added, as the Public Utilities Customer Support Deputy Director will provide a final level review. Once complete, these documents will be saved for a minimum of five years, per the City of San Diego's retention policy.

Implementation Date:

03/28/2023

Contact:



Tracy Morales  
Interim Deputy Director

**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS**

**CITY OF SAN DIEGO, CALIFORNIA**  
Summary of Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2023

|                              |  |
|------------------------------|--|
| <b>Reference Number:</b>     | <b>2022-001</b>  |
| Assistance Listing Number:   | 21.027   |
| Federal program Title:       | Coronavirus State and Local Fiscal Recovery Funds  |
| Federal Agency:              | U.S. Department of the Treasury  |
| Audit Finding:               | The City's Public Utilities Department (PUD) did not maintain documentation demonstrating compliance with Section F.2.1 of the grant guidelines with the State of California related to the Water and Wastewater Arrearage Payment Program. Of the 25 account credits selected for testing we were unable to validate that four (4) customers were sent the required notification in accordance with the program guidelines. |
| Status of Corrective Action: | Refer to the current year's finding 2023-001.  |