

**CITY OF SAN DIEGO, CALIFORNIA**

Federal Single Audit Reports

For the Fiscal Year Ended  
June 30, 2022



Certified  
Public  
Accountants

**CITY OF SAN DIEGO, CALIFORNIA**  
Federal Single Audit Reports  
For the Fiscal Year Ended June 30, 2022

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**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 the City Council  
City of San Diego, California

We have audited, in accordance with 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, 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 fiscal 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 28, 2022. 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 basic financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also includes emphasis of matters paragraphs indicating the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and the effect of the known liability related to the unwinding of Proposition B as of June 30, 2022. 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Report on Compliance and Other Matters**

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

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California  
December 28, 2022



**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, 2022. 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, 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 (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 \$460,557,905 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, 2022. 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 2022-001. 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 2022-001 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, 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 28, 2022, 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 30, 2023



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CITY OF SAN DIEGO, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

Federal Grantor/Federal Program Name/Pass-through Entity	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:				
<u>Economic Adjustment Assistance:</u>				
Direct Program				
San Diego Regional Consolidated Revolving Loan Fund	07-57-05269	11.307	\$ 1,996,696	\$ -
COVID-19 CARES Act Revolving Loan Fund	07-79-07601	11.307	1,239,988	-
Subtotal Economic Adjustment Assistance			\$ 3,236,684	-
Subtotal Economic Development Cluster			3,236,684	-
<b>Total U.S. Department of Commerce</b>			<b>3,236,684</b>	<b>-</b>
<b>U.S. Department of Defense</b>				
Passed Through San Diego Association of Governments				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of Military Installation	*	12.003	45,897	-
<b>Total U.S. Department of Defense</b>			<b>45,897</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	7,455,693	1,477,167
COVID-19 Community Development Block Grants/Entitlement Grants	B-20-MW-060542	14.218	1,130,387	943,480
Subtotal Community Development Block Grants/Entitlement Grants			8,586,080	2,420,647
Subtotal CDBG - Entitlement Grants Cluster			8,586,080	2,420,647
Direct Program				
Emergency Solutions Grant Program	*	14.231	617,405	607,951
COVID-19 Emergency Solutions Grant Program	E-20-MW-06-0542	14.231	275,047	-
Subtotal Emergency Solutions Grant Program			892,452	607,951
Direct Program				
Home Investment partnerships Program	*	14.239	5,807,021	5,750,232
<b>Total U.S. Department of Housing and Urban Development</b>			<b>15,285,553</b>	<b>8,778,830</b>
<b>U.S. Department of the Interior</b>				
Direct Program				
Title XVI Water Reclamation and Reuse	*	15.504	3,516,448	-
Passed Through California Department of Parks and Recreation				
Historic Preservation Fund Grants-In-Aid	C8965503/P20AF00006	15.904	13,134	-
<b>Total U.S. Department of the Interior</b>			<b>3,529,582</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	17,180	-
Missing Children's Assistance	*	16.543	296,214	113,628
Special Data Collections and Statistical Studies	2016-FU-CX-K060	16.734	29	-
Edward Byrne Memorial Justice Assistance Grant Program	*	16.738	410,533	-
DNA Backlog Reduction Program	*	16.741	234,843	-
Equitable Sharing Program	CA0371100	16.922	515,229	-
Passed Through Southwestern Community College District				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	9397.20/OVW-2018-14263	16.525	1,212	-
Passed Through The Children's Initiative				
Project Safe Neighborhoods	PSN-20-079916824	16.609	27,097	-
Passed Through California Governor's Office of Emergency Services				
Paul Coverdell Forensic Sciences Improvement Grant Program	*	16.742	81,319	-
<b>Total U.S. Department of Justice</b>			<b>1,583,656</b>	<b>113,628</b>
<b>U.S. Department of Transportation</b>				
Direct Program				
Airport Improvement Program	3-06-0213-020-2020	20.106	245,441	-
Highway Planning and Construction Cluster:				
Passed Through State Department of Transportation				
Highway Planning and Construction	*	20.205	23,558,917	-
Subtotal Highway Planning and Construction Cluster			23,558,917	-
Highway Safety Cluster:				
Passed Through California Office of Traffic Safety				
State and Community Highway Safety	*	20.600	447,466	-
National Priority Safety Programs	*	20.616	204,787	-
Subtotal Highway Safety Cluster			652,253	-
Passed Through California Office of Traffic Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	*	20.608	646,004	-
<b>Total U.S. Department of Transportation</b>			<b>25,102,615</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, 2022**

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	\$ 622,061	\$ -
Direct Programs				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	SLFRP1975	21.027	\$ 100,000,000	-
Passed Through California State Water Resources Control Board				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	CA3710020	21.027	19,166,805	-
Subtotal Coronavirus State and Local Fiscal Recovery Funds			119,166,805	-
<b>Total U.S. Department of the Treasury</b>			<b>119,788,866</b>	<b>-</b>
<b>U.S. Federal Communications Commission</b>				
Passed Through Universal Service Administrative Company				
Emergency Connectivity Fund Program	ECF202103546	32.009	1,224,890	-
<b>Total U.S. Federal Communications Commission</b>			<b>1,224,890</b>	<b>-</b>
<b>U.S. National Endowment for the Humanities</b>				
Passed Through California Humanities				
Promotion of the Humanities Federal/State Partnership	HFAP19-44	45.129	20,000	-
<b>Total U.S. National Endowment for the Humanities</b>			<b>20,000</b>	<b>-</b>
<b>U.S. Institute of Museum and Library Services</b>				
Passed Through California State Library				
Grants to States	*	45.310	121,912	-
<b>Total U.S. Institute of Museum and Library Services</b>			<b>121,912</b>	<b>-</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	20,571	-
Subtotal Drinking Water State Revolving Fund Cluster			20,571	-
Direct Program				
Water Infrastructure Finance and Innovation (WIFIA)	N17125CA	66.958	74,392,873	-
<b>Total U.S. Environmental Protection Agency</b>			<b>74,413,444</b>	<b>-</b>
<b>U.S. Department of Energy</b>				
Passed Through California Energy Commission (CEC)				
ARRA - State Energy Program	LGC-16-002	81.041	1,283,513	-
<b>Total U.S. Department of Energy</b>			<b>1,283,513</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>				
Direct Programs				
National Urban Search and Rescue (US&R) Response System	*	97.025	985,795	-
Assistance to Firefighters Grant	*	97.044	629,508	-
Port Security Grant Program	EMW-2018-PU-00468-S01	97.056	750,000	-
Passed Through California State Department of Parks and Recreation				
Boating Safety Financial Assistance	*	97.012	50,446	-
Passed Through California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	4305-DR-CA/073-66000	97.036	(10,819)	-
Passed Through California Department of Water Resources				
National Dam Safety Program	346337-003	97.041	87,056	-
Passed Through the County of San Diego				
Emergency Management Performance Grants	2020-0006/073-00000	97.042	93,270	-
Passed Through the County of San Diego				
Homeland Security Grant Program	*	97.067	361,668	-
Passed Through California Governor's Office of Emergency Services				
Homeland Security Grant Program	*	97.067	15,941,585	7,323,912
Subtotal Homeland Security Grant Program			16,303,253	7,323,912
<b>Total U.S. Department of Homeland Security</b>			<b>18,888,509</b>	<b>7,323,912</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 264,525,121</b>	<b>\$ 16,216,370</b>

\* Refer to Note 7 for the listing of grant/pass-through numbers for programs with multiple grant 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, 2022

**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 \$10,819 reported for Assistance Listing Number (ALN) 97.036, Disaster Grants – Public Assistance (Presidentially Declared disasters) grant number FEMA-4305-DR-CA 073-66000 represents a refund to the funding agency due to the funding agency's obligation amount to the City being changed.

**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 and 2020-0095/073-66000).

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

The San Diego Housing Commission (SDHC) federal expenditures of \$460,557,905 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, 2022

**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 \$3,236,684 in the Schedule 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 Regional Consolidated RLF	CARES Act RLF
Grant Award Number	07-57-05269	07-79-07601
RLF Outstanding as of June 30, 2022	\$ 2,307,126	\$ 850,464
Cash and investments balance in the RLF as of June 30, 2022	1,177,847	128,670
Administrative expenses paid out of RLF income during the fiscal year ended June 30, 2022	59,667	260,854
Write Offs in Current Fiscal Year	-	-
Subtotal	3,544,640	1,239,988
Calculated grant rate (rounded)	56.33%	100.00%
Economic Adjustment Assistance RLF Grant federal award expenditures for the fiscal year ended June 30, 2022	\$ 1,996,696	\$ 1,239,988

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2022

**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 12.003 - Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation</b>	
S609123-Project 1600503	\$ 34,525
S893768-Project 1600505	11,372
	<hr/>
<b>Total Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation</b>	<b>\$ 45,897</b>
	<hr/>
<b>ALN 14.218 - Community Development Block Grants/Entitlement Grants</b>	
B-17-MC-06-0542	\$ 50,707
B-18-MC-06-0542	250,704
B-19-MC-06-0542	3,197,475
B-20-MC-06-0542	(1,346,927)
B-21-MC-06-0542	5,303,734
	<hr/>
<b>Total Community Development Block Grants/Entitlement Grants</b>	<b>\$ 7,455,693</b>
	<hr/>
<b>ALN 14.231 - Emergency Solutions Grant Program</b>	
E-19-MC-06-0542	\$ (230)
E-20-MC-06-0542	9,579
E-21-MC-06-0542	608,056
	<hr/>
<b>Total Emergency Solutions Grant Program</b>	<b>\$ 617,405</b>
	<hr/>
<b>ALN 14.239 - Home Investment Partnerships Program</b>	
M-18-MC-06-0533	\$ 4,507,672
M-19-MC-06-0533	36,552
M-20-MC-06-0533	48,508
M-21-MC-06-0533	1,214,289
	<hr/>
<b>Total Home Investment Partnerships Program</b>	<b>\$ 5,807,021</b>
	<hr/>
<b>ALN 15.504 – Title XVI Water Reclamation and Reuse</b>	
R20AP00024	\$ 5,104
R20AP00322	3,511,344
	<hr/>
<b>Total Title XVI Water Reclamation and Reuse</b>	<b>\$ 3,516,448</b>
	<hr/>

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2022

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

ALN/Federal Program Name/Grant Number	Federal Expenditures
<b>ALN 16.543 – Missing Children’s Assistance</b>	
2018-MC-FX-K055	\$ 236,501
15PJDP-21-GK-03811-MECP	59,713
<b>Total Missing Children’s Assistance</b>	<b>\$ 296,214</b>
 <b>ALN 16.738 - Edward Byrne Memorial Justice Assistance Grant Program</b>	
2018-DJ-BX-0295	\$ 213,287
2019-DJ-BX-0865	95,572
2020-DJ-BX-0790	101,674
<b>Total Edward Byrne Memorial Justice Assistance Grant Program</b>	<b>\$ 410,533</b>
 <b>ALN 16.741 - DNA Backlog Reduction Program</b>	
2019-DN-BX-0007	\$ 174,820
2020-DN-BX-0138	60,023
<b>Total DNA Backlog Reduction Program</b>	<b>\$ 234,843</b>
 <b>ALN 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program</b>	
CQ19-15-7919	\$ 11,564
CQ20-16-7919	67,073
CQ21-17-7919	2,682
<b>Total Paul Coverdell Forensic Sciences Improvement Grant Program</b>	<b>\$ 81,319</b>
 <b>ALN 20.205 - Highway Planning and Construction</b>	
ATPL-5004(201)	\$ 893,895
BHLO-5004(068)	958,706
BHLS-5004(049)	20,454,281
BPMPL-5004(189)	5,240
BRLS-5004(198)	38,984
BRLS-5004(200)	22,853
CML-5004(131)	167,358
FERPL16-5004(208)	62,393
HPLUL-5004(177)	(778)
HPLUL-5004(187)	635,463
HSIPL-5004(207)	220,454
HSIPL-5004(209)	67,761
HSIPL-5004(210)	18,584
HSIPL-5004(211)	13,723
<b>Total Highway Planning and Construction</b>	<b>\$ 23,558,917</b>



**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2022

**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>	
PS21013	\$ 133,615
PT20154	(1,429)
PT21052	93,174
PT22069	222,106
<b>Total State and Community Highway Safety</b>	<b>\$ 447,466</b>
<b>ALN 20.608 - Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>	
AL21006	\$ 299
PT21052	306,476
PT22069	339,229
<b>Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>	<b>\$ 646,004</b>
<b>ALN 20.616 - National Priority Safety Programs</b>	
D121007	\$ 43,433
DI22010	161,354
<b>Total National Priority Safety Programs</b>	<b>\$ 204,787</b>
<b>ALN 45.310 – Grants to States</b>	
40-9224	\$ 91,919
40-9113	14,993
40-9245	15,000
<b>Total Grants to States</b>	<b>\$ 121,912</b>
<b>ALN 97.012 – Boating Safety Financial Assistance</b>	
C18L0617	\$ 27,888
C20L0621	22,558
<b>Total Boating Safety Financial Assistance</b>	<b>\$ 50,446</b>
<b>ALN 97.025 - National Urban Search and Rescue (US&amp;R) Response System</b>	
EMW-2013-CA-USR-0009	\$ 99,726
EMW-2018-CA-00043-S01	103,256
EMW-2019-CA-00080-S01	94,067
EMW-2020-CA-00067-S01	367,928
EMW-2021-CA-00062-S01	320,818
<b>Total National Urban Search and Rescue (US&amp;R) Response System</b>	<b>\$ 985,795</b>

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2022

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

ALN/Federal Program Name/Grant Number	Federal Expenditures
<b>ALN 97.044 – Assistance to Firefighters Grant</b>	
EMW-2019-FG-01379	\$ 551,428
EMW-2020-FG-01818	78,080
<b>Total Assistance to Firefighters Grant</b>	<b>\$ 629,508</b>
 <b>ALN 97.067 - Homeland Security Grant Program</b>	
2018-0054/073-66000	\$ 8,931,099
2019-0035/073-66000	5,818,151
2019-0035/ 073-00000	299,166
2020-0095/073-66000	1,192,335
2020-0095/073-00000	62,502
<b>Total Homeland Security Grant Program</b>	<b>\$ 16,303,253</b>

The negative amount of \$1,346,927 reported for ALN 14.218, Community Development Block Grants/Entitlement Grants program grant number B-20-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 they did not meet agreement terms. The negative amount of \$230 reported for ALN 14.231, Emergency Solutions Grant Program grant number E-19-MC-06-0542, represents correction of expenditures in prior year that moved to another funding source in the current fiscal year. The negative amounts of \$778 reported for ALN 20.205, Highway Planning and Construction grant number HPLUL-5004(177), and \$1,429 reported for ALN 20.600, State and Community Highway Safety grant number PT20154, represents expenditures incurred and reported in the Schedule in prior years that were ineligible and moved to another funding source in the current fiscal year.

**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, 2022, the City received and expended \$74,392,873 from the USEPA related to ALN 66.958. The outstanding loan balance as of June 30, 2022 is \$83,951,866.

**CITY OF SAN DIEGO, CALIFORNIA**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2022

**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 \$108,264,545 and \$121,251,842 for ERA1 and ERA2, respectively. Additionally, the City have been awarded \$74,897,774 of ERA Reallocation funds passed through from the State of California.

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, 2022

**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
11.307	Economic Adjustment Assistance
20.205	Highway Planning and Construction
21.027	Coronavirus State and Local Fiscal Recovery Funds

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, 2022

**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>2022-001</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 2021-22</b>

**Criteria:**

The California Water and Wastewater Arrearage Payment Program Guidelines: Water Arrearages, Section F: Water System Allocation to Customers, F.2.1.

The water system 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 Organizations of the Treadway Commission (COSO).

**CITY OF SAN DIEGO, CALIFORNIA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2022

§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 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.

**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 federal American Rescue Plan Act (ARPA) funds.

**Questioned Costs:**

There are no questioned costs.

**Context:**

We selected 25 customer credits from a total population of 20,927, and noted that documentation of customer notification was not available for four (4) customer credits.

**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.

**CITY OF SAN DIEGO, CALIFORNIA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2022

**Views of Responsible Officials and Planned Corrective Action:**

1. Person responsible: Katie Keach, Deputy Director, Public Utilities Department
2. Corrective action plan:  
The Public Utilities Department has re-evaluated the procedures for maintaining compliance documentation. Changes will be implemented to the archiving process to ensure that all historical records of notifications are properly saved. Furthermore, internal controls will be enhanced to provide additional layers of approval prior to the completion of archiving. This will ensure all documentation will be readily available immediately after notifications are dispersed, and or in the future.
3. Implementation date: March 28, 2023



## **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, 2022

There were no audit findings noted for the fiscal year ended June 30, 2021.