

# **City of Stockton**

Stockton, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2020*





**City of Stockton  
Single Audit Report  
For the Year Ended June 30, 2020**

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

***Independent Auditors' Report***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Santa Ana, California  
December 8, 2020



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

**Independent Auditors' Report**

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

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

We have audited the City of Stockton, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and condition of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questions Costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to this matter. The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subject to the 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.



To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
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**Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 8, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Santa Ana, California  
March 31, 2021, except for the Schedule of Expenditures of Federal Awards, which is as of December 8, 2020

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**City of Stockton**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
<i>Direct Program:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0026	\$ 5,567,348	\$ 771,161
Neighborhood Stabilization Program	14.218	B-08-MN-060009	1,645,235	-
Neighborhood Stabilization Program	14.218	B-11-MN-060009	386,948	-
Total CDBG - Entitlement Grants Cluster			<u>7,599,531</u>	<u>771,161</u>
Emergency Solutions Grant Program	14.231	E-19-MC-06-0026	455,714	438,015
Total Emergency Solutions Grant Program			<u>455,714</u>	<u>438,015</u>
HOME Investment Partnership Program	14.239	M-19-MC-06-0221	765,491	-
Total HOME Investment Partnership Program			<u>765,491</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>8,820,736</u>	<u>1,209,176</u>
<b>U.S. Department of Justice</b>				
<i>Direct Program:</i>				
Public Safety Partnership and Community Policing Grants	16.710	2014-UL-WX-0004	6,832	-
Total Public Safety Partnership and Community Policing Grants			<u>6,832</u>	<u>-</u>
BJA FY20 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1296	68,989	-
Total Coronavirus Emergency Supplemental Funding			<u>68,989</u>	<u>-</u>
<i>Pass-Through San Joaquin County District Attorney's Office:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-1007	11,030	6,018
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0982	28,557	28,557
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0823	181,431	132,947
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0623	95,940	95,940
Total Edward Bryne Memorial Justice Assistance Grant Program			<u>316,958</u>	<u>263,462</u>
<b>Total U.S. Department of Justice</b>			<u>392,779</u>	<u>263,462</u>
<b>U.S. Department of Transportation</b>				
<i>Pass-Through State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Pershing Adaptive TCS	20.205	CML-5008(126)	83,411	-
March Ln Adaptive TCS	20.205	CML-5008(127)	646,347	-
Arch-Airport/B St Signal	20.205	HSIPL-5008(135)	6,903	-
Rapid Flashing Beacons C6	20.205	HSIPL-5008(133)	13,363	-
West Lane Ped Access Imp	20.205	HSIPL-5008(136)	10,533	-
BUS RAPID TRANSIT I-B	20.205	CML-5008(148)	90,898	-
Bus Rapid Transit Phase V	20.205	CML-5008(149)	29,474	-
Install/Upgrade Bike FAC	20.205	CML-5008(150)	21,594	-
THORNTON At HAMMER & LOWER	20.205	CML-5008(156)	25,496	-
BRIDGE REHAB/REPLACEMENT	20.205	BPMP-5008(157)	50,181	-
HAWK PED SIGNAL INSTALL	20.205	HSIPL-5008(151)	13,420	-
Guardrail, Transition Rail	20.205	HSIPL-5008(152)	6,269	-
Miner Ave Complete St. Ph 1	20.205	ATPL-5008(158)	48,904	-

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

**City of Stockton**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Transportation (continued)</b>				
<i>Pass-Through State of California Department of Transportation (Continued):</i>				
Highway Planning and Construction Cluster (Continued):				
HUNTER ST DIET/BIKE INSTAL	20.205	HSIPL-5008(155)	8,114	-
2016-17 Street Resurfacing	20.205	STPL-5008(172)	1,017,216	-
WST LN TRS CONTROL SYS	20.205	CML-5008(165)	102,368	-
High Friction Treatment	20.205	HSIPL-5008(153)	47,636	-
Bear Crk/Pixley Sl Bike	20.205	CML-5008-(175)	189,729	-
BRIDGE REHAB/REPLACEMENT	20.205	BPMPPL-5008(177)	48,000	-
Closing gaps to School	20.205	ATPCML-5008-(178)	209,759	-
HSIP 8 CONVT SIGNAL FR PED	20.205	HSIPL-5008(166)	51,600	-
HSIP 8 INSTALL GUARDRAILS	20.205	HSIP-5008(168)	35,867	-
HSIP 8 INSTALL PED XNG 9	20.205	HSIPL-5008(161)	1,444,284	-
HSIP 8 RAISED MED @ MLK	20.205	HSIPL-5008(167)	29,709	-
HSIP 8 RAISED MED @ PACIF	20.205	HSIPL-5008(164)	46,531	-
HSIP 8 RAISED MED @ EL DO	20.205	HRRRL-5008(163)	7,330	-
HSIP 8 ROAD DIET @ EL DO	20.205	HSIPL-5008(162)	37,559	-
LT TURN ADD @ VARIOUS LOC	20.205	CML-5008(169)	24,303	-
LINCOLN / 8TH ROUNDABOUT	20.205	CML-5008(176)	109,412	-
MARCH LN EBMUD BIKE & PED	20.205	CML-5008(179)	134,206	-
MONTAUBAN/HAMMERTOWN RND	20.205	CML-5008(174)	127,244	-
Pacific Ave/March Ln Intersection Mod	20.205	CML-5008(181)	35,251	-
Real Time Traffic Flow Monitoring	20.205	CML-5008(180)	11,775	-
TAM O'SHANTER/KNICKERBOCK	20.205	CML-5008(173)	77,813	-
HSIP 9-LT DORADO/MARVH	20.205	HSIPL-5008(183)	5,009	-
HSIP 9-LT AIRPORT/HAZELTN	20.205	HSIPL 5008(184)	12,638	-
HSIP 9-SIDEWLK MED MLK BL	20.205	HSIPL-5008(186)	23,878	-
HSIP 0-REC RPD FLSH BCONS	20.205	HSIPL-5008(185)	3,910	-
Safe Route > School Program Expansion	20.205	SRTSLNI-5008(121)	43,754	-
Total Highway Planning and Construction Cluster:			<u>4,931,688</u>	<u>-</u>
<i>Pass-Through State of California Office of Traffic Safety:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT19118	126,785	-
State and Community Highway Safety	20.600	PT18141	261,852	-
Total Highway Safety Cluster			<u>388,637</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>5,320,325</u>	
<b>U.S. Environmental Protection Agency</b>				
<i>Direct Program:</i>				
Brownfields Assessment and Cleanup Cooperative	66.818	99T74401	61,129	-
<b>Total U.S. Environmental Protection Agency</b>			<u>61,129</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
<i>Direct Program:</i>				
Assistant to Firefighters Grant (AFG)	97.044	EMW-2018-FO-04270	261,412	-
<b>Total U.S. Department of Homeland Security</b>			<u>261,412</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 14,856,381</u>	<u>\$ 1,472,638</u>

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

**City of Stockton**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

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**Note 1 – Reporting Entity**

The financial reporting entity consists of the primary government, City of Stockton (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

- The Stockton Public Financing Authority
- Fiduciary Component Unit:
  - Successor Agency of the Former Redevelopment Agency of the City of Stockton

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***Schedule of Expenditures of Federal Awards***

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California, is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

***Indirect Cost Rate***

The City has not elected to use the 10 percent de-minimis indirect rate as allowed under Uniform Guidance.

**City of Stockton**  
**Notes to the Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 3 – Subrecipients**

During the year ended June 30, 2020, the City provided federal funds to the following recipients:

**Emergency Shelter Grant (ESG) Program Subrecipients:**

CVLHC	\$ 165,018
Gospel Center	42,391
Haven of Peace	36,362
St Mary's	81,562
Stockton Shelter	58,871
Women's Center	53,811
<b>Total ESG Program Subrecipients</b>	<u><u>\$ 438,015</u></u>

**Community Development Block Grant (CDBG) Subrecipients:**

Bread of Life	\$ 15,000
Children's Home of Stockton	22,497
Community Center for the Blind	6,868
Community Med Centers	46,000
DRAIL	1,742
Emergency Food Bank	72,342
Gospel Center	118,255
Kelly's Angels	14,961
Launch Pad	6,000
Meals on Wheels	12,000
Mexican Heritage	25,000
Oracles of Truth	9,997
Read To Me Stockton	25,000
Salvation Army	24,000
San Joaquin SBDC	20,000
Second Harvest Food Bank	50,000
SJ Fair Housing	139,607
Stockton Impact Corps	20,000
Stockton Shelter	109,606
Tuleburg Press	32,286
<b>Total CDBG Subrecipients</b>	<u><u>\$ 771,161</u></u>

**Edward Byrne Memorial Justice Assistance Grant Program Recipients:**

SJCDA	\$ 199,472
SJC Sheriff	27,401
SJC Probation	11,077
Rock Forensics	25,512
<b>Total Edward Byrne Memorial Justice Assistance Grant Program Recipients</b>	<u><u>\$ 263,462</u></u>

**City of Stockton**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2020-001 and 2020-002

Type of auditor’s report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.218	Community Development Block Grants/Entitlement Grants	\$ 7,599,531
	<b>Total Expenditures of All Major Federal Programs</b>	<b>\$ 7,599,531</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 14,856,381</b>
	<b>Percentage of Total Expenditures of Federal Awards</b>	<b>51.15%</b>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee under 2 CFR 500.520? Yes

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section II – Financial Statements Findings**

**A. Current Year Findings– Financial Statement Findings**

No current year financial statement findings and questioned costs were noted.

**B. Prior Year Findings – Financial Statement Findings**

No prior year financial statement findings and questioned costs were noted.



**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

**Section III – Federal Awards Finding and Questioned Costs**

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

**2020-001 Internal Control Over Preparation of Schedule of Expenditures of Federal Awards Information on the Federal Programs:**

Community Development Block Grants / Entitlement Grants, (CFDA 14.218, U.S. Department of Housing and Urban Development, Award Numbers B-17-MC-06-0026, B-18-MC-06-0026, and B-19-MC-06-0026), Emergency Solutions Grant Program (CFDA 14.231, U.S. Department of Housing and Urban Development, Award Numbers E-18-MC-06-0026 and E-19-MC-06-0026), and Highway Planning and Construction Cluster (CFDA 14.218, U.S. Department of Transportation, Pass-Through State of California Department of Transportation, Award Numbers HSIPL-5008(161) and CML-5008(169)).

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

Under OMB Circular A-133, Subpart C – Auditees, § \_\_\_\_.300 Auditee responsibilities, the auditee shall: “(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_\_.310.”

**Condition:**

During our reviewing of the Schedule of Expenditures of Federal Awards (“SEFA”) provided by the City, we noted that the following grants did not have accurate expenditure total respective to each grant award number as expenditures showed more than the grant received total.

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
<i>Direct Program:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0026	\$ 5,567,348	\$ 771,161
Emergency Solutions Grant Program	14.231	E-19-MC-06-0026	455,714	438,015
<b>U.S. Department of Transportation (continued)</b>				
<i>Pass-Through State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
HSIP 8 INSTALL PED XNG 9	20.205	HSIPL-5008(161)	1,444,284	-
LT TURN ADD @ VARIOUS LOC	20.205	CML-5008(169)	24,303	-

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

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

**2020-001 Internal Control Over Preparation of Schedule of Expenditures of Federal Awards Information on the Federal Programs (Continued):**

**Cause:**

The system does not track by each grant and overage in expenditure is due to expenditure applicable to previous years' expenditure not distributed to each respective year. Separate tracking was done in the past but due to turnover in personnel in current fiscal year, tracking was not done.

**Effect:**

The federal expenditure amounts, funding agreements number and grantor information provided to federal audit clearinghouse may be inaccurate, leading to potential noncompliance with reporting requirements and incorrect identification of major programs.

**Questioned Cost:**

None

**Context:**

See condition above for context of the finding.

**Recommendation:**

We recommend that the City implement procedures to ensure that complete and accurate information of each grant is reported on the SEFA prepared by the City.

**Views of Responsible Officials:**

Time constraints prevented the Finance Division from being able to assemble the federal expenditures in time for the audit that make up the SEFA. Staff will compile the federal expenditures for submittal.

Housing Division procedures: The SEFA expenditures are reconciled against the staff's expenditure tracking sheet as they are accrued and as reflected in IDIS. Economic Development Department (EDD) Administrative Analyst II will track and submit information to Finance Department for SEFA purposes.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

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

**2020-002 Reporting – Internal Controls and Compliance over Reporting**

**Information of the Federal Program:**

CDBG – Entitlement Grants Cluster / Neighborhood Stabilization Program (CFDA 14.218, U.S. Department of Housing and Urban Development, Award Number B-08-MN-060009 and B-11-MN-060009)

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

Pursuant to the OMB August 2020 Compliance Requirements for CFDA 14.218 CDBG – Entitlement Grants Cluster – Quarterly Performance Report (QPR), Disaster Recovery Grant Reporting (DRGR) is due each quarter from state CDBG-DR grantees after the first full quarter following execution of a grant agreement with HUD.

Reporting Period	Grantee Submission
End Date	Deadlines
30-Mar	30-Apr
30-Jun	30-Jul
30-Sep	30-Oct
30-Dec	30-Jan

Each quarter, after submission of the QPR, HUD reviews the QPRs and provides approvals/rejection-revision directions to the grantee.

Pursuant to the Disaster Recovery Grant Reporting (DRGR) System Grantee User Manual – Section 6 Quarterly Performance Report Module 6.1.3 QPR Due Dates, A grantee’s first QPR is due 30 days after the first full quarter after the initial grant agreement is signed. Due dates vary by grant appropriation.

Reporting Period	Grantee QPR
End Date	Submission Deadlines
31-Mar	30-Apr
30-Jun	30-Jul
30-Sep	30-Oct
31-Dec	30-Jan

**Condition:**

The City did not submit the required Quarterly Performance Report, Disaster Recovery Grant Reporting (DRGR), that are due each quarter for the fiscal year quarter 3 (January 2020 to March 2020) and for the fiscal year quarter 4 (April 2020 to June 2020).

**Cause:**

The City did not have policies and procedures in place to monitor the filing of reports to ensure timely filing. Furthermore, the City had employee turnover during the year.

**Effect or Potential Effect:**

Non-compliance with the compliance requirements.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

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

**2020-002 Reporting – Internal Controls and Compliance over Reporting (Continued)**

**Questioned Cost:**

None

**Context:**

See condition above for context of the finding.

**Recommendation:**

We recommend that the City implement procedures to ensure timely filing of required Quarterly Performance Report for NSP 1 and 3 program.

**Views of Responsible Officials:**

The City's DRGR report was submitted late due to the DRGR portal not accepting the quarterly report. Staff was notified that until HUD completed and reviewed the City's Annual Action Plan the NSP Quarter report could not be submitted/uploaded for review. Upon approval of the Annual Action Plan by the HUD the DRGR report was submitted and accepted. Economic Development Department (EDD) Administrative Analyst II will follow up with HUD to ensure timely submission.

**City of Stockton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section III – Federal Awards Finding and Questioned Costs (Continued)**

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

No prior year findings and questioned costs were noted.