CITY OF LONG BEACH, CALIFORNIA

Single Audit Report

Year Ended September 30, 2024

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH, CALIFORNIA
Single Audit Report
Year Ended September 30, 2024

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Crowe LLP
Independent Member Crowe Global

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*

The Honorable Mayor and City Council
City of Long Beach, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2025.

Our report includes a reference to other auditors who audited the financial statements of Long Beach Public Transportation Company (the Company), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 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.

Crowe LLP

Crowe LLP

Costa Mesa, California
March 28, 2025

INDEPENDENT AUDITOR'S 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

The Honorable Mayor and City Council
City of Long Beach, California

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Long Beach, California's (the 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 year ended September 30, 2024. 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.

Qualified Opinion on HOME Investment Partnerships Program ALN 14.239

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *HOME Investment Partnerships Program* for the year ended September 30, 2024.

Qualified Opinion on Section 8 Housing Choice Voucher Program ALN 14.871

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Section 8 Housing Choice Voucher Program* for the year ended September 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2024.

Basis for Qualified and Unmodified Opinions

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 requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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 Long Beach Public Transportation Company, a discretely presented component of the City which expended $28,550,818 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended September 30, 2024. Our compliance audit, described in the "*Report on Compliance for Each Major Federal Program*," does not include the operations of the Long Beach Public Transportation Company because they engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Matter Giving Rise to Qualified Opinion on HOME Investment Partnerships Program ALN 14.239

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding *ALN 14.239 HOME Investment Partnerships Program* as described in finding number *2024-001 for Eligibility*. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Section 8 Housing Choice Voucher Program ALN 14.871

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding *ALN 14.871 Section 8 Housing Choice Voucher Program* as described in finding numbers *2024-003 for Eligibility* and *2024-006 for Special Tests*. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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 items *2024-002 and 2024-004*. Our opinion on each major federal program is not modified with respect to these matters.

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

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-003, 2024-005, and 2024-006 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004 and 2024-007 to be significant deficiencies.

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

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

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Crowe LLP

Crowe LLP

Costa Mesa, California
June 30, 2025

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Department of Agriculture:				
Passed Through the State of California, Department of Public Health:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Non-Cash Value	$ 12,536,967	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-10256	4,784,618	-
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			17,321,585	-
Passed Through the State of California, Department of Education:				
Child Nutrition Cluster:				
Summer Food Service Program for Children (SFSPC)	10.559	19-81908V	140,895	-
Total Child Nutrition Cluster			140,895	-
Passed Through the State of California, Department of Public Health:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	23-10321	854,633	-
Total SNAP Cluster			854,633	--
Direct:				
Community Forestry	10.727	24-DG-11052021-225	53,135	-
Total Department of Agriculture			**18,370,248**	-
Department of Commerce:				
Direct:				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307	07-79-07489	182,968	-
Total Economic Development Cluster			182,968	-
Total Department of Commerce			**182,968**	-
Department of Housing and Urban Development:				
Direct:				
CDBG – Entitlement/Special Purpose Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0522	111,301	-
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0522	549,303	-
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0522	307,000	-
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-06-0522	158,157	-
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0522	467,060	-
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-06-0522	657,617	-
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-06-0522	190,480	-
Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-06-0522	3,087,643	-
Total CDBG – Entitlement/Special Purpose Grants Cluster			5,528,561	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the State of California, Department of Housing and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-CDBG-HK--00051	$ 2,244,011	-
Direct:				
Emergency Solutions Grant Program	14.231	E-21-MC-06-0522	38,813	-
Emergency Solutions Grant Program	14.231	E-22-MC-06-0522	363,541	-
Emergency Solutions Grant Program	14.231	E-23-MC-06-0522	78,943	-
COVID-19 Emergency Solutions Grant Program	14.231	E-20-MW-06-0522	152,789	-
Total Emergency Solutions Grant Program			634,086	-
HOME Investment Partnerships Program	14.239	M-20-MC-06-0518	722,826	-
HOME Investment Partnerships Program	14.239	M-21-MC-06-0518	79,507,953	-
HOME Investment Partnerships Program	14.239	M-22-MC-06-0518	309,917	-
HOME Investment Partnerships Program	14.239	M-23-MC-06-0518	27,943	-
COVID-19 HOME Investment Partnerships Program ARPA	14.239	M-21-MP-06-0518	2,693,595	-
HOME Investment Partnerships Act Grant Program Income	14.239	PROGRAM INCOME	451,935	-
Total HOME Investment Partnerships Program			83,714,169	-
Passed Through the City of Los Angeles:				
Housing Opportunities for Persons With AIDS (HOPWA)	14.241	CAH23-F005	359,899	-
Housing Opportunities for Persons With AIDS (HOPWA)	14.241	CAH24-F005	102,582	-
Total Housing Opportunities for Persons With AIDS			462,481	-
Direct:				
Economic Development Initiative-Community Project Funding	14.251	B-22-CP-CA-0135	78,176	-
Continuum of Care	14.267	CA9999U9D062108	6,705,584	5,376,163
Continuum of Care	14.267	CA9006U9D062200	374,465	118,682
Continuum of Care	14.267	CA9999U9D062310	2,640,128	2,048,299
Total Continuum of Care Program			9,720,177	7,543,144
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA068VO	120,211,808	-
COVID-19 Section 8 Housing Choice Vouchers	14.871	CA068VO	10,234,407	-
Total Housing Voucher Cluster			130,446,215	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the County of Los Angeles:				
Jobs-Plus Initiative	14.895	CA002FJP000719	$ 12,937	-
Jobs-Plus Initiative	14.895	CA002FJP000719	100,000	-
Total Jobs-Plus Initiative			112,937	
Direct:				
Family Self-Sufficiency Program	14.896	FSS23CA5429	91,226	-
Family Self-Sufficiency Program	14.896	FSS23CA5429-01-02	432,780	-
Total Family Self-Sufficiency Program			524,006	-
Lead Hazard Reduction Grant Program	14.900	CALHB0591-19	65,146	-
Lead Hazard Reduction Demonstration Grant Program	14.905	CALHD0477-22	1,384,213	-
Healthy Homes Production Program	14.913	CAHHP0127-24	17,399	-
Total Department of Housing and Urban Development			**234,931,577**	**7,543,144**
Department of the Interior:				
Direct:				
WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	R23AP00602	69,876	-
WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	R22AP00050	44,081	-
Total WaterSMART (Sustain and Manage America's Resources for Tomorrow)			113,957	-
Reclamation States Emergency Drought Relief - North Long Beach	15.514	R20AP00109	95,386	-
Reclamation States Emergency Drought Relief - Alamitos	15.514	R21AP10354	122,865	-
Total Reclamation States Emergency Drought Relief			218,251	-
Passed Through the State of California, Natural Resources Agency:				
Outdoor Recreation Acquisition, Development And Planning	15.916	C8964002	3,247,808	-
Total Department of the Interior			**3,580,016**	**-**
Department of Justice:				
Direct:				
Public Safety Partnership and Community Policing	16.710	15JCOPS-22-GG-04092-LEMH	49,436	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15BPJA-21-GG-01231-JAGX	6,578	-
Body Worn Camera Policy and Implementation	16.835	15PBJA-21-GG-04414-BWCX	115,530	-
Comprehensive Opioid, Stimulant, And Substance Abuse Site-Based Program	16.838	15PBJA-21-GG-04	490,848	126,000
Total Department of Justice			**662,392**	**126,000**

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Department of Labor:				
WIOA National Dislocated Worker Grants Program	17.277	AA311013	$ 126,319	-
WIOA Cluster:				
Passed Through the State of California, Employment Development Department:				
WIOA Adult Program	17.258	C-137191	(196)	-
WIOA Adult Program	17.258	AA211013	(1,284)	-
WIOA Adult Program	17.258	AA311013	123,888	-
WIOA Adult Program	17.258	AA411013	1,525,093	-
WIOA Adult Program	17.258	AA311013	19,745	-
WIOA Adult Program	17.258	AA411013	225,151	-
WIOA Adult Program	17.258	AA511013	303,464	-
Passed Through the State of California, Employment Development Department:				
Passed Through the City of Los Angeles:				
WIOA Adult Program	17.258	C-141843	(14,938)	-
WIOA Adult Program	17.258	C-144309	564,806	-
WIOA Adult Program	17.258	C-144308	158,086	-
Total WIOA Adult Program			2,903,815	-
Passed Through the State of California, Employment Development Department:				
Passed Through the City of Los Angeles:				
WIOA Youth Activities	17.259	K8106641	(377)	-
Passed Through the State of California, Employment Development Department:				
WIOA Youth Activities	17.259	AA311013	97,328	-
WIOA Youth Activities	17.259	AA411013	1,958,683	-
WIOA Youth Activities	17.259	AA511013	92,985	-
Total WIOA Youth Activities			2,148,619	-
Passed Through the State of California, Employment Development Department:				
WIOA Dislocated Worker Formula Grants	17.278	AA311013	16,628	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	175,540	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	210,899	-
WIOA Dislocated Worker Formula Grants	17.278	AA311013	22,361	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	898,347	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
WIOA Dislocated Worker Formula Grants	17.278	AA411013	$ 34	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	18,902	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	31,976	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	30,356	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	178,281	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	53,258	-
Passed Through the State of California, Employment Development Department:				
Passed Through the City of Los Angeles:				
WIOA Dislocated Worker Formula Grants	17.278	C-144308	71,446	-
WIOA Dislocated Worker Formula Grants	17.278	C-144309	350,555	-
Total WIOA Dislocated Worker Formula Grants			2,058,583	-
Total WIOA Cluster			7,111,017	-
Total Department of Labor			**7,237,336**	-
Department of Transportation:				
Direct:				
Airport Improvement Program	20.106	30601270552022	554,526	-
Airport Improvement Program	20.106	30601270572023	6,198,109	-
Airport Improvement Program	20.106	30601270562023	2,305,629	-
Airport Improvement Program	20.106	30601270482020	1,019,976	-
Airport Improvement Program	20.106	30601270492020	73,897	-
COVID-19 Airport Improvement Program	20.106	30601270542022	150,326	-
Total Airport Improvement Program			10,302,463	-
Passed Through the State of California, Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	LPPCML5108(185)	2,057,815	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(199)	4,623,192	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(197)	149,226	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BHLS-5108(173)	7,801	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(201)	175,421	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(204)	27,215	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPLNI-5108(216)	23,936	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPLNI-5108(218)	24,435	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-5108(208)	558	-
COVID-19 Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5108(178)	5,130	-
Total Highway Planning and Construction (Federal-Aid Highway Program)			7,094,729	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the State of California, Department of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	DD24003	$ 166,721	-
State and Community Highway Safety	20.600	PS24017	284,300	-
National Priority Safety Programs	20.616	DI24005	218,597	-
Total Highway Safety Cluster			669,618	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT24105	383,791	
Direct:				
Port Infrastructure Development Program	20.823	693JF72040020	9,285,534	-
Port Infrastructure Development Program	20.823	693JF722450027	188,954	-
Total Port Infrastructure Development Program			9,474,488	-
Total Department of Transportation			**27,925,089**	-
Department of Treasury:				
Passed Through the State of California, Department of Housing and Community Development:				
COVID-19 Emergency Rental Assistance Program	21.023	21-ERAP-30018	507,069	-
Direct:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	886,500	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	A00172	1,396,759	-
Total Coronavirus State and Local Fiscal Recovery Funds			2,283,259	-
Total Department of Treasury			**2,790,328**	-
Environmental Protection Agency:				
Passed Through the State of California, State Water Resources Control Board				
Beach Monitoring and Notification Program Implementation Grants	66.472	D2214103	100,392	-
Total Environmental Protection Agency			**100,392**	-
Department of Health & Human Services:				
Passed Through the County of Los Angeles:				
Public Health Emergency Preparedness	93.069	PH-005481	139,939	-
Public Health Emergency Preparedness	93.069	PH-003348	665,205	-
Total Public Health Emergency Preparedness			805,144	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Direct:				
Environmental Public Health and Emergency Response	93.070	NUE1EH001405	$ 93,505	-
Passed through the National Association of County and City Health Officials:				
Strengthening Emergency Care Delivery In the U.S. Healthcare System	93.078	2024-031505	100,000	-
Direct:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0025	999,999	160,873
Passed Through the State of California, Department of Public Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2375BASE00	175,936	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	EPCF7523	10,000	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2475SPND00	231,566	-
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs			417,502	-
Childhood Lead Poisoning and Prevention Projects	93.197	23-10261	429,620	-
Immunization Cooperative Agreements	93.268	KD2JSY6LNMW7	432,307	-
Passed Through the National Association of County and City Health Officials				
Protecting and Improving Health Globally	93.318	2023-101705	30,000	-
Protecting and Improving Health Globally	93.318	2024-032508	76,544	-
Total Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security			106,544	-
Passed Through the County of Los Angeles:				
Epidemiology and Lab Capacity for Infectious Diseases (ELC)	93.323	PH-003348	786,401	-
Epidemiology and Lab Capacity for Infectious Diseases (ELC)	93.323	PH-003348	3,617,298	-
Epidemiology and Lab Capacity for Infectious Diseases (ELC)	93.323	PH-003348	178,614	-
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			4,582,313	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-003448	410,894	-
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-003348	90,945	-
Total Public Health Emergency Response Cooperative Agreement for Emergency Response: Public Health Crisis			501,839	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Direct:				
COVID-19 Activities To Support State, Tribal, Local And Territorial Health Department Response To Public Healthcare Crises	93.391	1 NH75OT000004-01-00	$ 2,486,078	1,710,886
Passed Through the National Association of County and City Health Officials				
COVID-19 Strengthening Public Health Systems and Services Through National Partnership to Improve and Protect the Nation's Health	93.421	2022-120804	28,826	-
Strengthening Public Health Systems and Services Through National Partnership to Improve and Protect the Nation's Health	93.421	2023-121808	150,000	-
Strengthening Public Health Systems and Services Through National Partnership to Improve and Protect the Nation's Health	93.421	2023-110707	80,000	-
Strengthening Public Health Systems and Services Through National Partnership to Improve and Protect the Nation's Health	93.421	2024-030607	80,000	-
Total Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health			338,826	-
Passed Through the State of California, Department of Health Services:				
Passed Through the County of Los Angeles, Department of Public Social Services:				
Temporary Assistance for Needy Families	93.558	16-W129	33,315	-
Passed Through the City of Los Angeles				
Temporary Assistance for Needy Families	93.558	IA-0214	1,558	-
Temporary Assistance for Needy Families	93.558	IA-0214	216,010	-
Temporary Assistance for Needy Families	93.558	IA-0214	71,000	-
Total Temporary Assistance for Needy Families			321,883	-
Medicaid Cluster:				
Passed Through the State of California, Department of Health Services:				
Medical Assistance Program (Medicaid; Title XIX)	93.778	DHCS-CMAA EVERGREEN PA-CITY of LONG BEACH	96,843	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	61-19EVRGRN	26,143	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	CITY NO.62 LB	380,657	-
Passed Through the County of Los Angeles:				
Medical Assistance Program (Medicaid; Title XIX)	93.778	PH-004979	176,132	-
Total Medical Cluster			679,775	-
Passed Through the State of California, Department of Health Services:				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	849996	256,377	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the County of Los Angeles:				
HIV Emergency Relief Project Grants	93.914	PH-004606	$ 12,577	-
HIV Emergency Relief Project Grants	93.914	PH-003754	198,122	-
HIV Emergency Relief Project Grants	93.914	PH-004606 / H89HA00016	622	-
HIV Emergency Relief Project Grants	93.914	PH-002900	3,496	-
HIV Emergency Relief Project Grants	93.914	PH-003753 / H89HA00016	81,444	-
HIV Emergency Relief Project Grants	93.914	PH-003754 / H89HA00016	9,569	-
HIV Emergency Relief Project Grants	93.914	PH-002900	53,797	-
HIV Emergency Relief Project Grants	93.914	PH-002900	75,198	-
HIV Emergency Relief Project Grants	93.914	PH-003754	289,938	-
Total HIV Emergency Relief Project Grants			724,763	-
Passed Through the State of California, Department of Health Services:				
HIV Care Formula Grants	93.917	15-11059	15,732	-
HIV Care Formula Grants	93.917	18-10872	622,195	-
Passed Through the State of California, Department of Public Health:				
HIV Care Formula Grants	93.917	23-10966	484,663	-
Total HIV Care Formula Grants			1,122,590	-
Passed Through the State of California, Department of Public Health:				
HIVP Prevention Activities Health Department Based	93.940	19-10424	187,113	-
HIV Prevention Activities Health Department Based	93.940	PH-003492/NU62PS924569	898,391	-
Passed Through the County of Los Angeles, Department of Public Health:				
HIV Prevention Activities Health Department Based	93.940	PH-003082-W3	47,254	-
HIV Prevention Activities Health Department Based	93.940	PH-003082 W3-1 & W3-2	9,832	-
Total HIV Prevention Activities Health Department Based			1,142,590	-
Direct:				
CDC's Collaboration With Academia to Strengthen Public Health	93.967	NE11OE000044	2,181,526	-
Passed Through the State of California, Department of Public Health:				
Sexually Transmitted Diseases (Std) Prevention and Control Grants	93.977	20-10720	102,254	-
Sexually Transmitted Diseases (Std) Prevention and Control Grants	93.977	21-10562	60,794	-
Total Sexually Transmitted Diseases (Std) Prevention and Control Grants (93.977)			163,048	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the State of California, Department of Public Health:				
Maternal and Child Health Services Block Grant To the States	93.994	202360	$ 776,932	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	362,176	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	197,022	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	124,501	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	201,127	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	210,338	-
Total Maternal and Child Health Services Block Grant to the States			1,872,096	-
Total Department of Health and Human Services			**19,758,325**	**1,871,759**
Department of Homeland Security:				
Passed Through the State of California, Office of Emergency Services				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	037-4300	4,712,809	-
Hazard Mitigation Grant Program	97.039	FIPS 037-43000	382,753	-
Passed Through the State of California, California Office of Emergency Services:				
Passed Through the County of Los Angeles:				
Emergency Management Performance Grant	97.042	037-00000	96,606	-
Direct:				
Port Security Grant Program	97.056	EMW-2019-PU-00050	406,710	-
Port Security Grant Program	97.056	EMW-2020-PU-00179	89,945	-
Port Security Grant Program	97.056	EMW-2021-PU-00463	177,478	-
Port Security Grant Program	97.056	EMW2022PU00352	654,973	-
Port Security Grant Program	97.056	EMW2018PU00587	30,690	-
Port Security Grant Program	97.056	EMW2021PU00445	541,800	-
Port Security Grant Program	97.056	EMW2020PU00043	193,192	-
Port Security Grant Program	97.056	EMW2021PU00259	1,084,606	-
Port Security Grant Program	97.056	EMW-2022-PU-00193	474,466	-
Port Security Grant Program	97.056	EMW-2023-PU-00200	932,765	-
Total Port Security Grant Program			4,586,625	-

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal grantor/pass-through agency/program title	Assistance listing number	Federal grantor/ pass-through entity identifying number	Federal disbursements/ expenditures	Passed through to subrecipients
Passed Through the State of California, California Office of Emergency Services:				
Passed Through the City of Los Angeles:				
Homeland Security Grant Program	97.067	EMW-2020-SS-00032	$ 19,804	-
Homeland Security Grant Program	97.067	EMW-2021-SS-00081	5,802,775	-
Homeland Security Grant Program	97.067	EMW-2022-SS-00043	4,536,709	-
Homeland Security Grant Program	97.067	2023-SS-00042	946,496	-
Passed Through the State of California, California Office of Emergency Services:				
Passed Through the County of Los Angeles:				
Homeland Security Grant Program	97.067	037-00000	93,296	-
Homeland Security Grant Program	97.067	037-00000	264,147	-
Homeland Security Grant Program	97.067	037-00000	300,000	-
Total Homeland Security Grant Program			11,963,227	-
Staffing for Adequate Fire and Emergency Response (Safer)	97.083	EMW2021FF00669	1,119,255	-
Total Department of Homeland Security			**22,861,275**	**-**
Total Federal Expenditures			**$ 338,399,946**	**9,540,903**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Long Beach, California (the City). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through to the City by other government agencies, has been included in the accompanying Schedule. The Schedule did not include federal expenditures of $ $28,550,818 for the year ended September 30, 2024 of the Long Beach Public Transportation Company (the Company), a discretely presented component unit of the City, as the Company engaged other auditors to perform audits in accordance with the Uniform Guidance.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance).*

(2) Community-Based Loan Programs with Continuing Compliance

The City considers loans to eligible participants for the Home Investment Partnerships Program (HOME) to have continuing compliance requirements. As such, the amounts reported in the accompanying Schedule for the HOME program include current-year disbursements as well as the balance of the beginning of the year of loans with continuing compliance requirements.

As of September 30, 2024, the balance of loans with continuing compliance requirements for the HOME program was $79,255,967.

(3) Food Instruments/Vouchers

Food instruments/vouchers expenditures represent the estimated value of the Special Supplemental Nutrition Program for Women, Infants and Children food instruments distributed during the year as communicated by the State of California Department of Health Services. The food instruments/vouchers totaled $12,536,967 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2024.

(4) Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____Yes	___X__ No
Significant deficiency(ies) identified not Considered to be material weaknesses	____ Yes	___X__ None reported
Noncompliance material to financial statements noted?	____ Yes	___X__ No

Federal Awards

Internal Control over major program:		
Material weakness(es) identified?	___X__ Yes	____ No
Significant deficiency(ies) identified not Considered to be material weaknesses?	___X__ Yes	____None Reported

Type of auditor's report issued on compliance For major programs:

Qualified for HOME Investment Partnerships Program
Qualified for Section 8 Housing Choice Vouchers Program
Unmodified for Other Programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___X__ Yes	____ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
14.218	Community Development Block Grants/Entitlement Grants Cluster
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers Program–Housing Voucher Cluster
15.916	Department of Parks, Land and Water Conservation Fund
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
20.823	Port Infrastructure Development Program
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
97.036	FEMA – Public Assistance (Presidentially Declared Disasters)
97.056	Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 3,000,000	
Auditee qualified as low-risk auditee?	____ Yes	___X__ No

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2024-001

Finding Title : Internal Controls and Compliance over Eligibility for Multifamily Housing Projects

Compliance Requirement(s): Eligibility

Classification: Material Weakness

Programs: HOME Investment Partnerships Program (HOME)

ALN #: 14.239

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Numbers: M20-MC060518, M21-MP060518, M21-MC060518, M22-MC060518, M23-MC060518

Federal Award Year: 2020, 2021, 2022, 2023

Criteria or specific requirement (including statutory, regulatory, or other citation)

24 CFR92.252 Qualification as affordable housing: Rental housing - *(e) Periods of affordability. The HOME-assisted units must meet the affordability requirements for not less than the applicable period, beginning after project completion.*

(1) The affordability requirements:

(i) Apply without regard to the term of any loan or mortgage, repayment of the HOME investment, or the transfer of ownership.

(ii) Must be imposed by a deed restriction, a covenant running with the land, an agreement restricting the use of the property, or other mechanisms approved by HUD and must give the participating jurisdiction the right to require specific performance (except that the participating jurisdiction may provide that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure); and

(iii) Must be recorded in accordance with State recordation laws.

(2) The participating jurisdiction may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability.

(3) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property.

(4) The termination of the restrictions on the project does not terminate the participating jurisdiction's repayment obligation under § 92.503(b).

(h) Tenant income. The income of each tenant must be determined initially in accordance with § 92.203(a)(1)(i). In addition, each year during the period of affordability the project owner must re-examine each tenant's annual income in accordance with one of the options in § 92.203 selected by the participating jurisdiction. An owner of a multifamily project with an affordability period of ten years or more who re-examines tenant's annual income through a statement and certification in accordance with § 92.203(b)(1)(ii), must examine the income of each tenant, in accordance with § 92.203(b)(1)(i), every sixth year of the affordability period, except that, for units that receive Federal or State project-based rental subsidy, the owner must accept the income determination pursuant to § 92.203(a)(1)

24 CFR 92.203 Income determinations - *(b) Required Documentation for Annual Income Calculations*

(1) For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (b)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any one of the following methods in accordance with §92.252(h):

(i) Examine at least two months of source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation statement) for the family.

(ii) Obtain from the family a written statement of the amount of the family's annual income and family size, along with a certification that the information is complete and accurate. The certification must state that the family will provide source documents upon request.

(iii) Obtain a written statement from the administrator of a government program under which the family receives benefits, and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income; or alternatively, the statement must indicate the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

Condition

The City was unable to collect documents from the property manager to ensure individuals who occupied HOME assisted units were eligible tenants for four of the eight properties selected for testing from a population of seventy-four properties. The four properties for which documents could not be collected included a total of forty-two units, all related to the same development group. The City was unable to obtain the necessary documentation from the development groups property manager to verify household income for each tenant. As a result, it could not determine compliance with income eligibility, maximum rent limits, or minimum set-aside requirements for units designated for eligible individuals.

Cause

The City's has made continued attempts to contact the development group for these properties but the development group has not been responsive. As a result the City was unable to obtain the required documents to determine each family's income which is needed for determining income eligibility, compliance with maximum rent requirements or minimum set-aside requirements for units designated for eligible individuals.

Effect or potential effect

The lack of response from the development group has meant the City is without the information needed to evaluate the properties and their related tenants for compliance with HUD eligibility criteria.

Questioned costs

None

Context
The City had eighteen outstanding loans with this development group for Multi Family Construction projects as of the fiscal year end, carrying a balance of $9.5 million. This represents 12% of the 154 HOME Loans and their related $79.3 million outstanding balances.

Identification as a repeat finding if applicable
2023-002

Recommendation
We recommend the City continue its attempts to obtain the necessary documents from the development group and exercising its rights to enforce compliance through the terms of its contractual arrangement when necessary. Additionally, we recommend the City enhance policies and/or procedure for addressing unresponsiveness among developers to establish a structure for clear communication, expectations, an escalation process, and consistent documentation requirements.

Views of responsible officials and planned corrective actions
The City continues to monitor HOME-assisted units to ensure eligibility with income requirements. Since the last audit period, the developer has not yet complied with multiple requests from the City to provide missing documentation; however, City staff continues outreach and has communicated shortcomings with said developer on the dates mentioned in FY 23 corrective action plan and also July 2, 2024, July 16, 2024, July 18, 2024, September 3, 2024, September 10, 2024, September 11, 2024, September 18,2024, October 30, 2024, November 4, 2024, and December 2, 2024. The City informed the developer that continued non-compliance will result in escalation to the City Attorney, and escalation is currently underway.

The City has updated procedures to add layers of review and increase frequency of communication with developers to ensure timely submission and efforts to obtain necessary documents. The City is confident that these measures will demonstrate compliance with eligibility requirements and resolve the auditor's concerns.

Finding Number: 2024-002

Finding Title: Internal Controls and Compliance regarding the timeliness of Housing Quality Standards Inspections

Compliance Requirement(s): Special Tests – Housing Quality Standards

Classification: Material Weakness

Programs: HOME Investment Partnerships Program (HOME)

ALN #: 14.239

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Numbers: M20-MC060518, M21-MP060518, M21-MC060518, M22-MC060518, M23-MC060518

Federal Award Year: 2020, 2021, 2022, 2023

Criteria or specific requirement (including statutory, regulatory, or other citation)

§ 92.251 Property standards and inspections - *(3) Ongoing inspections of HOME-assisted rental housing. During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards in paragraph (f)(1) of this section and to verify the information submitted by owners in accordance with the requirements of § 92.252. The participating jurisdiction must perform inspections in accordance with its established inspection procedures. These procedures, at minimum, must include the following requirements:*

> *(iii) Units inspected. Inspections must be based on a random sample of the HOME-assisted units in the project with a mix of unit sizes (e.g., a mix of one-bedroom, two-bedroom, and three-bedroom units) in accordance with the chart contained in this paragraph. All inspections must include the inspectable areas for each building containing HOME-assisted units. For projects with one-to-four HOME-assisted units, the participating jurisdiction must inspect 100 percent of the HOME-assisted units and the inspectable areas for each building with HOME-assisted units.*

HOMEfires - Vol. 3 No. 2, February 2001 - *Q: The HOME Final Rule states that each Participating Jurisdiction (PJ) must perform on-site inspections of HOME-assisted rental housing. How frequently should these inspections be performed? How should each PJ determine the number of units that must be inspected?*

A: During the affordability period, HOME-assisted rental projects must be inspected regularly to ensure that they continue to meet or exceed the property standards outlined in 24 CFR 92.251. Section 92.504 (d)(1) of the HOME final rule establishes a schedule for on-site inspections based on the total number of units in the project. The schedule is as follows:

Projects containing one to four units must be inspected every three years Five-to-twenty-five-unit projects must be inspected every two years; and Projects with twenty-six or more units must be inspected annually.

Please note that it is the total number of units in the project rather than the number of HOME-assisted units that determines the monitoring schedule.

Section 92.504 (d)(1) also states that the inspections must be based on "a sufficient sample" of units. The Office of Affordable Housing has recommended that each PJ adopt the standard practice of inspecting fifteen to twenty percent of the HOME-assisted units in a project, and a minimum of one unit in every building. For larger projects, a sample of ten to fifteen percent of units should be sufficient. If compliance problems are identified in sample units, the PJ should inspect the remaining units to ensure that all HOME-assisted units comply with established property standards.

The participating jurisdiction must establish written inspection procedures. The procedures must include detailed inspection checklists, a description of how and by whom inspections will be carried out, and procedures for training and certifying qualified inspectors. For ongoing property inspections, the procedures must also describe how frequently the property will be inspected, consistent with this section and § 92.209.

***2 CFR 200.303 -** Additionally, non-Federal entities receiving Federal awards are required to establish and maintain internal controls designated to ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure housing quality standards are appropriately performed and documented.*

Condition
The City maintains a log to track housing quality standards inspections. The log lists all the projects, properties, total units, HOME units, required frequency of inspections, upcoming inspection due dates, and details on inspections including the unit number, date, and other details. Our testing included eight of a total seventy-four properties, none of which were inspected late.

In inspecting the log, forty-two properties with 455 associated HOME units had either completed inspections late based on their required inspection date or were not yet completed and past their required inspection due date. Additionally 10 properties did not comply with HUDs 20% requirements for sampling with incorrect inspection frequency requirements listed in the log, and another 9 items did not meet the required sampling sizes as noted in Table 1 Paragraph (f)(3)(iii)—minimum Inspection Sample Size for Home Rental Housing Project in 24 CFR 92.251.

Cause
The City is working through a backlog of inspections due to staffing constraints which occurred in the prior year that caused a knock-on effect to inspections in the current year.

Effect or potential effect
Late or delayed inspections could lead to unidentified issues with housing leading to increased costs and non-compliance with HUD requirements related to the inspection process.

Questioned costs
None

Context
The City is currently responsible for seventy-four properties which include 1948 units, 1054 of which are HOME units. The City completed 227 inspections during the year per the log.

Identification as a repeat finding if applicable
2023-003

Recommendation
We recommend the City continue with its steps towards addressing resource constraints and implement a periodic review of the inspection log for accuracy, completeness and earlier identification of late inspections.

Views of responsible officials and planned corrective actions

Ensuring compliance with HUD requirements continues to be a central priority, and the City is actively enhancing our procedures to strengthen the Housing Quality Standards (HQS) process. The City is working to reduce the backlog of inspections by September 30, 2025, which requires additional effort in order to complete both the prior year inspections in addition to completing the current year inspections in a timely manner. To this end, the City has increased the number of properties inspected each fiscal year. For example, during the FY23 audit period, 204 inspections occurred. In the FY24 period, the number of inspections increased to 227. As of May 2025, the City has inspected 187 units and anticipates a total of 250 inspections will be completed by the end of FY25, thereby eliminating the current backlog and any late inspections.

The Community Development Department implemented more proactive measures, including hiring an in-house inspector and an active master inspection log to track and target upcoming inspections. These efforts have resulted in a more streamlined, data-informed approach to HQS compliance, as evidenced by a significant reduction in the inspection backlog. The master inspection log is also being leveraged to optimize inspection scheduling and ensure that the required HOME units per property are inspected as required. To reinforce this approach, the City instituted a structured, monthly review of the log to improve data accuracy, completeness, and early identification of potential delays.

The City is confident that these measures will demonstrate compliance with the HQS standards and resolve the auditor’s concerns.

Finding Number: 2024-003

Finding Title: Internal Controls and Compliance over the Timeliness of Housing Choice Voucher Participant Re-examination and Recertification

Compliance Requirement(s): Eligibility

Classification: Material Weakness

Programs: Section 8 Housing Choice Vouchers (HCV)

ALN #: 14.871

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development (HUD)

Federal Award Numbers: Multiple – City receives incremental funding throughout the year

Federal Award Year: 2024

Criteria or specific requirement (including statutory, regulatory, or other citation)

The PHA must examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation. The Department of Housing and Urban Development (HUD) has provided a grace period of 2 months before they are reported as late.

§ 5.657 Section 8 project-based assistance programs: Reexamination of family income and composition.

(a) Applicability. This section states requirements for reexamination of family income and composition in the Section 8 project-based assistance programs, except for the moderate rehabilitation and the project-based voucher programs.

(b) Regular reexamination. The owner must conduct a reexamination and redetermination of family income and composition at least annually.

(c) Interim reexaminations.

(1) Generally. A family may request an interim reexamination of family income because of any changes since the last examination. The owner must conduct any interim reexamination within a reasonable time after the family request or when the owner becomes aware of an increase in family adjusted income under paragraph (c)(3) of this section. What qualifies as a "reasonable time" may vary based on the amount of time it takes to verify information, but such time generally should not exceed 30 days from the date a family reports changes in income to an owner.

(2) Decreases in the family's annual adjusted income. The owner may decline to conduct an interim reexamination of family income if the owner estimates that the family's adjusted income will decrease by an amount that is less than ten percent of the family's annual adjusted income (or a lower amount established by HUD through notice), or such lower threshold established by the owner.

(3) Increases in the family's annual adjusted income. The owner must conduct an interim reexamination of family income when the owner becomes aware that the family's adjusted income (as defined in § 5.611) has changed by an amount that the owner estimates will result in an increase of ten percent or more in annual adjusted income or such other amount established by HUD through notice, except.

(i) The owner may not consider any increase in the earned income of the family when estimating or calculating whether the family's adjusted income has increased, unless the family has previously received an interim reduction under paragraph (c)(1) of this section during the certification period; and(ii) The owner may choose not to conduct an interim reexamination in the last three months of a certification period.

(4) Policies on reporting changes in family income or composition. The owner must adopt policies consistent with this paragraph (c), prescribing when and under what conditions the family must report a change in family income or composition.

(5) Effective date of rent changes.

(i) If the family has reported a change in family income or composition in a timely manner according to the owner's policies, the owner must provide the family with 30 days advance notice of any rent increase, and such rent increase will be effective the first day of the month beginning after the end of that 30-day notice period. Rent decreases will be effective on the first day of the first month after the date of the actual change leading to the interim reexamination of family income.

(ii) If the family has failed to report a change in family income or composition in a timely manner according to the owner's policies, owners must implement any resulting rent increases retroactively to the first of the month following the date of the change leading to the interim reexamination of family income. Any resulting rent decrease must be implemented no later than the first rent period following completion of the reexamination. However, rent decreases may be applied retroactively at the discretion of the owner, in accordance with the owner's conditions as established in written policy, and subject to paragraph (c)(5)(iii) of this section.

(iii) A retroactive rent decrease may not be applied by the owner prior to the later of the first of the month following:

(A) The date of the change leading to the interim reexamination of family income; or

(B) The effective date of the family's most recent previous interim or annual reexamination (or initial examination if that was the family's last examination).

Condition

For 31 of 60 participants tested, the Housing Authority of the City (HACLB) did not re-examine eligible participants or redetermine family income on an annual basis (12 months). Of these 31 eligible participants noted as not completed in the annual period, 12 were completed within the 2-month grace period, before HUD considers the re-examination late for its purposes. The remaining 19 participants were not subject to reexamination until after 14 months.

Cause

The cause of the late reexaminations was due to the volume of participants within the HCV program in relation to the resources available at HACLB to administer the program.

Effect or potential effect

Delays in reviewing participant's eligibility status each 12-month period could lead to noncompliance with HUD regulations. Additionally, it could cause program resources to go to ineligible participants, which would result in unallowable cost to the program.

Questioned costs

None

Context

HACLB has 75 employees who are responsible for the administration of the programs over 7,800 participants, or over 100 Re-examinations per employee.

Identification as a repeat finding if applicable
2023-005

Recommendation
We recommend the City continue with its plan to address delays in the recertification processes through steps taken to address resource constraints.

Views of responsible officials and planned corrective actions
The City of Long Beach Housing Authority (HACLB) acknowledges the audit finding and has implemented a comprehensive corrective action plan to address the timeliness of participant re-examinations and recertifications under the Housing Choice Vouchers Program (HCV). To improve program efficiency and compliance, HACLB has expanded staffing through the recruitment and training of new Housing Specialists and the hiring of key administrative officers, while also renewing contracted support services to address a backlog of reexaminations and implementing a new housing software platform to enhance workflow management and productivity tracking. These combined efforts are expected to significantly reduce delays, enhance operational oversight, and support sustained compliance with HUD requirements. HACLB remains committed to continuously evaluating and improving its internal controls and procedures to ensure the timely completion of all HCV participant reexaminations and recertifications.

Finding Number: 2024-004

Finding Title: Internal Controls and Compliance Over Federally Funded Equipment

Compliance Requirement(s): Equipment and Real Property Management

Classification: Significant Deficiency

Programs: Port Security Grant Program

ALN #: 97.056

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Homeland Security

Federal Award Numbers: EMW2018-PU00587, EMW2021-PU00445, EMW2022-PU00352,

Federal Award Year: 2018, 2021, 2022

Criteria or specific requirement (including statutory, regulatory, or other citation

§ 200.313 Equipment. *See also § 200.439.*

(a) ***Title.*** *Title to equipment acquired under the Federal award will vest upon acquisition in the recipient or subrecipient subject to the conditions of this section. This title must be a conditional title unless a Federal statute specifically authorizes the Federal agency to vest title in the recipient or subrecipient without further responsibility to the Federal Government (and the Federal agency elects to do so). A conditional title means a clear title is withheld by the Federal agency until conditions and requirements specified in the terms and conditions of a Federal award have been fulfilled. Title for equipment vested in a recipient or subrecipient is subject to the following conditions:*

(1) Use the equipment for the authorized purposes of the project during the period of performance or until the property is no longer needed for the purposes of the project.

(2) While the equipment is being used for the originally authorized purpose, the recipient or subrecipient must not dispose of or encumber its title or other interests without the approval of the Federal agency or pass-through entity.

(3) Use and dispose of the property in accordance with paragraphs (b), (c), and (e) of this section.

(b) ***General.*** *A State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. Indian Tribes must use, manage, and dispose of equipment acquired under a Federal award in accordance with tribal laws and procedures. If such laws and procedures do not exist, Indian Tribes must follow the guidance in this section. Other recipients and subrecipients, including subrecipients of a State or Indian Tribe, must follow paragraphs (c) through (e) of this section.*

(c) ***Use.***

(1) The recipient or subrecipient must use equipment for the project or program for which it was acquired and for as long as needed, whether or not the project or program continues to be supported by the Federal award. The recipient or subrecipient must not encumber the equipment without prior approval of the Federal agency or pass-through entity. The Federal agency may require the submission of the applicable common forms for reporting on equipment. When no longer needed for the original project or program, the equipment may be used in other activities in the following order of priority:

(i) Activities under other Federal awards from the Federal agency that funded the original program or project; then

(ii) Activities under Federal awards from other Federal agencies. These activities include consolidated equipment for information technology systems(2) During the time that equipment is used on the project or program for which it was acquired, the recipient or subrecipient must also make the equipment available for use on other programs or projects supported by the Federal Government, provided that such use will not interfere with the purpose for which it was originally acquired. First preference for other use of the equipment must be given to other programs or projects supported by the Federal agency that financed the equipment. Second preference must be given to programs or projects under Federal awards from other Federal agencies. Use for non-federally funded projects is also permissible, provided such use will not interfere with the purpose for which it was originally acquired. The recipient or subrecipient should consider charging user fees as appropriate.

(3) Notwithstanding the encouragement in § 200.307 to earn program income, the recipient or subrecipient must not use equipment acquired with the Federal award to provide services for a fee that is less than a private company would charge for similar services unless specifically authorized by Federal statute. This restriction is effective as long as the Federal Government retains an interest in the equipment.

(4) When acquiring replacement equipment, the recipient or subrecipient may either trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

*(d) **Management requirements.** Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacement equipment) utilizing procedures that meet the following requirements:*

(1) Property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

(2) A physical inventory of the property must be conducted, and the results must be reconciled with the property records at least once every two years.

(3) A control system must be in place to ensure safeguards for preventing property loss, damage, or theft. Any loss, damage, or theft of equipment must be investigated. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program.

(4) Regular maintenance procedures must be in place to ensure property is in working condition.

(5) If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

*(e) **Disposition.** When equipment acquired under a Federal award is no longer needed for the original project, program, or for other activities currently or previously supported by a Federal agency, the recipient or subrecipient must request disposition instructions from the Federal agency or pass-through entity if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal agency or pass-through entity disposition instructions:(1) Equipment with a current fair market value of $10,000 or less (per unit) may be retained, sold, or otherwise disposed of with no further responsibility to the Federal agency or pass-through entity.*

(2) Except as provided in § 200.312(b), or if the Federal agency or pass-through entity fails to provide requested disposition instructions within 120 days, items of equipment with a current fair market value in excess of $10,000 (per-unit) may be retained or sold by the recipient or subrecipient. However, the Federal agency is entitled to an amount calculated by multiplying the percentage of the Federal agency's contribution towards the original purchase by the current market value or proceeds from the sale. If the equipment is sold, the Federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the Federal share, $1,000 of the proceeds to cover expenses associated with the selling and handling of the equipment.

(3) The recipient or subrecipient may transfer title to the property to the Federal Government or to an eligible third party provided that the recipient or subrecipient must be entitled to compensation for its attributable percentage of the current fair market value of the property.

(4) In cases where a recipient or subrecipient fails to take appropriate disposition actions, the Federal agency or pass-through entity may direct the recipient or subrecipient to take disposition actions.

Condition
At the Fire Department, we determined no physical inventory of federally funded equipment had been conducted during the required biennial period, and no reconciliation of equipment records to actual assets had been performed. While informal tracking logs and asset purchase records existed, they were incomplete and lacked standardized documentation of asset tag numbers, inspection dates, asset condition, and verification signatures. Moreover, there was no evidence of centralized or departmental oversight to ensure routine physical inventory and compliance with Federal property standards.

In addition, we identified the Harbor department failed to properly record the disposition of a federally funded asset. The asset was still marked as “in service” within the equipment listing provided to us during the audit; however, the item had in fact been disposed of during the audit period.

Cause
The Fire Department’s grants team oversees the compliance with required federal equipment procedures, the grants team indicated capacity issues were the main contributor towards the lack of a reconciliation or inventorying of the equipment.

The Harbor Departments property related to a vehicle which was disposed of after an accident. This occurred between the departments inventory processes leading to the listing not being updated by mistake.

Effect or potential effect
The Departments were out of compliance with federal requirements surrounding equipment management, maintenance, and disposal.

Questioned costs
None

Context
The Harbor Department special vehicle had an estimated book value of $0 and was involved in a collision before being disposed of. There were no proceeds received related to the disposal of the special vehicle.

Identification as a repeat finding if applicable
N/A

Recommendation
We recommend the departments enhance internal controls to ensure its property records include all the requirements under the Uniform Guidance and properly identify all property and equipment purchased with federal funds.

We recommend the Fire Department implement a plan to address staffing needs and formalize procedures regarding the reconciliation, tracking, and maintenance of federally funded equipment. We recommend the Harbor Department enhance their procedures on equipment disposals.

Views of responsible officials and planned corrective actions

The Fire Department will ensure that all grant funds are expended in compliance with grant guidelines, including the completion of a biennial Equipment Inventory and the submission of a certification letter verifying its accuracy to the grantor every other year.

Effective June 16, 2025, the Fire Department will conduct an Equipment Inventory and submit a verification letter to the grantor confirming its completion on a biennial basis. The current Equipment Inventory will be completed by the Support Services Bureau by September 30, 2025. The Fire Department will ensure the accompanying verification letter is sent to the grantor along with the updated inventory list. This biennial requirement will be integrated into the Department's annual calendar. Following the FY2025 inventory, the next cycle will occur in FY2027 and continue in every odd-numbered fiscal year thereafter.

The Harbor Department will enhance its written procedures on equipment disposals and provide training to appropriate Finance, Security, and Maintenance Division staff in FY 2025 to ensure compliance and timeliness in following equipment disposal procedures.

Finding Number: 2024-005

Finding Title: Internal Controls over Compliance of Reinspection's to Enforce Housing Quality Standards

Compliance Requirement(s): Special Tests – Housing Quality Standards Enforcement

Classification: Material Weakness

Programs: Section 8 Housing Choice Vouchers

ALN #: 14.871

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development (HUD)

Federal Award Numbers: Multiple – City receives incremental funding throughout the year

Federal Award Year: 2024

Criteria or specific requirement (including statutory, regulatory, or other citation

PART 982—SECTION 8 TENANT-BASED ASSISTANCE: HOUSING CHOICE VOUCHER PROGRAM
24 CFR 982.54(d)(21) *Procedural guidelines and performance standards for conducting required HQS inspections, including:*

(i) Any deficiency that the Public Housing Authority (PHA) has adopted as a life-threatening deficiency that is not a HUD-required life-threatening deficiency

(ii) For PHAs that adopt the initial inspection non-life-threatening deficiency option:

a. The PHA's policy on whether the provision will apply to all initial inspections or a portion of initial inspections.

b. The PHA's policy on whether the provision will be applied to only some inspections and how the units will be selected.

c. The PHA's policy on using withheld HAP funds to repay an owner once the unit is in compliance with HQS.

(iii) For PHAs that adopt the alternative inspection provision:

a. The PHA's policy on how it will apply the provision to initial and periodic inspections.

b. he specific alternative inspection method used by the PHA.

c. The specific properties or types of properties where the alternative inspection method will be employed.

d. For initial inspections, the maximum amount of time the PHA will withhold HAP if the owner does not correct the HQS deficiencies within the cure period, and the period of time after which the PHA will terminate the HAP contract for the owner's failure to correct the deficiencies, which may not exceed 180 days from the effective date of the HAP contract.

(iv) The PHA's policy on charging a reinspection fee to owners.

24 CFR 982.54(d)(22) *The PHA's policy on withholding HAP for units that do not meet HQS (see § 982.404(d)(1))*

24 CFR 982.406(e)(5) *The PHA may commence housing assistance payments to the owner and make housing assistance payments retroactive to the effective date of the HAP contract only after the unit passes the PHA's HQS inspection. If the unit does not pass the HQS inspection, the PHA may not make housing assistance payments to the owner until all the deficiencies have been corrected. If a deficiency is life-threatening, the owner must correct the deficiency within 24 hours of notification from the PHA. For other deficiencies, the owner must correct the deficiency within no more than 30 calendar days (or any PHA-approved extension) of notification from the PHA. If the owner corrects the deficiencies within the required cure period, the PHA makes the housing assistance payments retroactive to the effective date of the HAP contract.*

PHA POLICY 8-II.F. INSPECTION RESULTS AND REINSPECTIONS FOR UNITS UNDER HAP CONTRACT
The City of Long Beach PHA Admin Plan requires that each deficiency is identified in the NPSIRE standards as either life-threatening, severe, moderate, or low. Further indicating that units under HAP contract, must correct for life-threatening deficiencies within 24 hours after notice has been provided and all others must be corrected within 30 days (or a PHA-approved extension) after notice has been provided.

Life-threatening deficiencies require notifying both parties by telephone or email immediately while Severe or moderate deficiencies will be provided through a written notification within five business days of the inspection. Both will include specifying who is responsible for correcting the violation and the time frame within which the failure must be corrected. If low deficiencies are identified, these deficiencies will only be noted for informational purposes.

The notice will inform the party which caused the deficiencies, whether owner or family, that if life-threatening conditions are not corrected within 24 hours, and non-life-threatening conditions are not corrected within the specified time frame (or any PHA-approved extension), the owner's HAP will be abated in accordance with PHA policy (Section 8-II.G.) or the family's assistance will be terminated in accordance with PHA policy (Chapter 12).

2 CFR 200 SUBPART D – POST FEDERAL AWARD REQUIREMENTS
2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

Condition
The PHA did not have sufficient internal controls in place to ensure timely reinspection of initial inspections for housing quality standard enforcement leading to eighteen re-inspections which were not completed within the required time frames set by PHA policy, created in accordance with federal requirements. The inspections selected were categorized as severe or moderate deficiencies, allowing for a 30 day period starting after providing notification of inspection results which must occur within 5 days of the inspection completion (or effectively 35 days), the eighteen samples mentioned were completed after this window causing the PHA to be noncompliant with *PHA policy 8-II.F and 24 CFR 982.406(e)(5).*

Additionally, one tenant failed inspection in October 2023 before failing a subsequent reinspection in December 2023. No further action was taken by the PHA, and the case was closed without resolving the deficiencies that caused the inspections to fail leading to noncompliance with *24 CFR 982.406(e)(5) and PHA policy 8-II.F.*

Cause
The delayed reinspection's and mistakenly closed inspection were due to constraints on resources and a change in the system utilized by HACLB to administer the program during the year.

Effect or potential effect
The PHA did not perform necessary procedures to enforce owner and/or family obligations to correct deficiencies, which if unresolved, could lead to housing assistance payments to either party which should have been abated.

Questioned costs
None

Context
Sixty inspections requiring reinspection were selected for testing, eighteen were found to be completed after the required reinspection date. Late reinspection's ranged from 1 day late to over a year late. One of the failed re-inspections cases was closed by management prior to resolution of identified deficiencies. None of the 60 samples selected were categorized as "life threatening".

Identification as a repeat finding if applicable
2023-008

Recommendation
We recommend HACLB enhance internal controls over the timeliness and completeness of its the housing quality standard enforcement procedures.

Views of responsible officials and planned corrective actions
The HACLB acknowledges the importance of timely reinspections to ensure compliance with Housing Quality Standards (HQS) and has taken concrete steps to strengthen its internal controls and enforcement mechanisms. To strengthen compliance and reduce delays, HACLB implemented an enhanced reinspection scheduling process in December 2024, using its MRI housing software to automatically schedule reinspections within the 30-day remediation period. The system also tracks extension requests and approvals, while staff regularly monitor system-generated reports to ensure timely follow-up and adherence to HUD standards. These improvements are designed to ensure that repairs are verified within the required timeframe, increase program compliance, and improve the overall quality of housing for HCV participants. HACLB is committed to ongoing monitoring and refinement of this process to ensure continuous improvement.

Finding Number: 2024-006

Finding Title: Internal Controls and Compliance with Participants Reexaminations, Housing Assistance Payments and Related Reporting

Compliance Requirement(s): Special Tests – Housing Assistance Payment, Reporting, Allowed and Unallowed Costs

Classification: Material Weakness

Programs: Section 8 Housing Choice Vouchers

ALN #: 14.871

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development (HUD)

Federal Award Numbers: Multiple – City receives incremental funding throughout the year

Federal Award Year: 2024

Criteria or specific requirement (including statutory, regulatory, or other citation

Allowable Costs Principles ; Activities Allowed and Unallowed; Eligibility

§ 982.201 Eligibility and targeting.

(3) The annual income (gross income) of an applicant family is used both for determination of income-eligibility under paragraph (b)(1) *of this section and for targeting under* paragraph (b)(2)(i) *of this section. In determining annual income of an applicant family that includes a person with disabilities, the determination must include the disallowance of increase in annual income as provided in* 24 CFR 5.617*, if applicable.*

(4) The applicable income limit for issuance of a voucher when a family is selected for the program is the highest income limit (for the family size) for areas in the PHA jurisdiction. The applicable income limit for admission to the program is the income limit for the area where the family is initially assisted in the program. At admission, the family may only use the voucher to rent a unit in an area where the family is income eligible.

Housing Assistance Payments

(e) ***Effective date of reexamination.***

(1) The PHA must adopt policies consistent with this section prescribing how to determine the effective date of a change in the housing assistance payment resulting from an interim redetermination.

(2) At the effective date of a regular or interim reexamination, the PHA must make appropriate adjustments in the housing assistance payment in accordance with § 982.505*.*

(f) Accuracy of family income data. The PHA must establish procedures that are appropriate and necessary to assure that income data provided by applicant or participant families is complete and accurate. The PHA will not be considered out of compliance with the requirements in this section solely due to de minimis errors in calculating family income but is still obligated to correct errors once the PHA becomes aware of the errors. A de minimis error is an error where the PHA determination of family income deviates from the correct income determination by no more than $30 per month in monthly adjusted income ($360 in annual adjusted income).

Reporting

***24CFR982.516(d**) Family reporting of change. The PHA must adopt policies consistent with this section prescribing when and under what conditions the family must report a change in family income or composition.*

HUD collects Tenant data to understand demographic, family profile, income, and housing information for participants in the Public Housing, Section 8 Housing Choice Voucher, Section 8 Project Based Certificate, Section 8 Moderate Rehabilitation, and Moving to Work Demonstration programs. This data also allows HUD to monitor the performance of programs and the performance of public housing agencies that administer the programs.

***24 CFR Part 908 and 24 CFR section 982.158** The HUD-50058, Family Report (OMB No. 2577-0083) is required to be submitted by the PHA electronically to HUD each time the PHA completes an issuance, admission, annual reexamination, interim reexamination, portability move-in, expiration, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.*

2 CFR 200 SUBPART D – POST FEDERAL AWARD REQUIREMENTS

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designated to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure eligibility criteria are met and documented.

Condition

The Public Housing Authority of the City of Long Beach (HACLB) did not have procedures implemented for a secondary review during the process of income tenant income reexamination. Insufficient internal controls around reexaminations of income could lead noncompliance with Eligibility, Reporting, Housing assistance payment, and expenditure allowability requirements.

Cause

HACLB did not have internal control procedures in place for a secondary review on income reexaminations but is in the process of implementing a control which was not in place for the fiscal year under audit due to understaffing.

Effect or potential effect

Insufficient controls over the reexamination process could lead to ineligible participants in the program, housing assistance payments that are either incorrect or to ineligible participants, and inaccurate reporting to HUD.

Questioned costs

None

Context

As part of our audit procedures we tested 60 reexaminations, of which none included a secondary review.

Identification as a repeat finding if applicable

2023-009

Recommendation

We recommend the PHA establish a secondary review over the reexamination of income of program participants.

Views of responsible officials and planned corrective actions

While HUD does not mandate a secondary review of files or allocate additional funding for such activities, HACLB recognizes the critical importance of accurate participant data, timely housing assistance payments, and compliance with HUD reporting requirements. HACLB has established and continues to enhance a system of internal controls to ensure program integrity and compliance. HACLB leverages its MRI housing management software to automate data validation and error detection in alignment with HUD's PIC requirements, ensuring accurate and compliant submissions. The system flags validation errors for correction before transmission, while additional oversight through the PIC Error Dashboard, SEMAP evaluations, and internal file reviews supports ongoing quality control. Errors identified through these processes are used for staff training and performance improvement, with new Housing Specialists' work closely monitored to uphold accuracy and program integrity. With the utilization of MRI housing management software and PIC systems, enhanced quality control processes, ongoing staff training, and proactive monitoring, HACLB is confident in its ability to maintain strong internal controls, ensure compliance with HUD requirements, and safeguard program integrity.

Finding Number: 2024-007

Finding Title: Internal Controls Over the Listing of Housing Quality Control Inspections

Compliance Requirement(s): Special Tests – Housing Quality Control Inspections

Classification: Significant Deficiency

Programs: Section 8 Housing Choice Vouchers

ALN #: 14.871

Pass-through entity: N/A – Direct Award

Federal Agency: Department of Housing and Urban Development (HUD)

Federal Award Numbers: Multiple – City receives incremental funding throughout the year

Federal Award Year: 2024

Criteria or specific requirement (including statutory, regulatory, or other citation

24 CFR 985.2 "PHA's quality control sample" PHA's quality control sample means an annual sample of files or records drawn in an unbiased manner and reviewed by an PHA supervisor (or by another qualified person other than the person who performed the original work) to determine if the work documented in the files or records conforms to program requirements. The minimum size of the PHA's quality control sample is as follows:

Universe Minimum	Minimum number of files or records to be sampled
50 or less	5
51-600	5 plus 1 for each 50 (or part of 50) over 50
601-2000	16 plus 1 for each 100 (or part of 100) over 600
Over 2000	30 plus 1 for each 200 (or part of 200) over 2000

A PHA supervisor or other qualified person must reinspect a sample of units under contract during the last PHA fiscal year. The guidelines included in Table 10-1 determine the required sample size. The universe referred to in table is the number of units under HAP contract at the end of the PHA's previous fiscal year

Condition
The PHA was unable to provide a complete listing of Housing Quality Control, therefore we were unable to substantiate that the required number of quality control inspections were performed in compliance with program requirements.

Cause
PHA changed IT systems during the fiscal year under audit, the change in IT system caused a technical issue of not being able to export the correct population for our testing.

Effect or potential effect
The PHA could be out of compliance with requirements to perform a minimum number of housing quality control inspections.

Questioned costs
None

Context
The PHA provided a listing of 61 inspections which were classified as Quality Control Inspections. 7 were selected for testing, 2 of the selections were found not to be quality control inspections. Upon further inquiry it was identified that the listing was not accurate. Due to IT System changes occurring during the fiscal year under audit the PHA was unable to provide a corrected listing. The PHA had roughly 6700 units at the end of the prior fiscal year receiving housing assistance payments under the program, based on 24 CFR 985.2 the required number of quality control inspections the PHA were required to perform in the fiscal year under audit would be roughly 54 housing quality control inspections. Due to the inability to provide a complete listing we were unable to verify whether the PHA performed the required amount of quality control inspections.

Identification as a repeat finding if applicable
2023-007

Recommendation
We recommend the PHA strengthen procedures to ensure the listing of housing quality control inspections is maintained accurately ensuring completeness.

Views of responsible officials and planned corrective actions
The legacy software system had limited functionality, which restricted our ability to generate the requested reports effectively. The HACLB recognizes the importance of maintaining accurate and timely records of Housing Quality Control inspections to ensure compliance with HUD regulations and to support program oversight. HACLB has implemented the MRI housing management software, which enhances functionality and reporting compared to the previous system, particularly benefiting the Inspections Team with advanced tools for organizing, scheduling, and tracking Quality Control inspections. The system's reporting capabilities enable timely and detailed inspection listings, supporting compliance with HUD requirements for scheduling, documentation, and follow-up. The upgraded system has already begun to improve operational oversight and internal controls related to Housing Quality Control inspections. HACLB expects these enhancements to strengthen compliance efforts and promote better data accuracy and reporting transparency moving forward.

CITY OF LONG BEACH, CALIFORNIA
Status of Prior Year Findings and Recommendations
Year Ended September 30, 2024

The following schedule presents the status of all audit findings reported in the prior year's audit report in accordance with 2CFR 200.511(b):

Finding Reference Number	Program	ALN #	Original Finding Title / Description	Original Year	Status of Finding	Explanation if Not Implemented
2023-001	N/A	N/A	Financial Reporting	FY 2023	Implemented	N/A
2023-002	HOME Investment Partnerships Program (HOME)	14.239	Eligibility	FY 2022	Not Implemented	See Current Year finding 2024-001
2023-003	HOME Investment Partnerships Program (HOME)	14.239	Special Tests – Housing Quality Standards	FY 2023	Not Implemented	See Current Year finding 2024-002
2023-004	HOME Investment Partnerships Program (HOME)	14.239	Special Tests – Housing Quality Standards	FY 2023	Implemented	N/A
2023-005	COVID-19 Section 8 Housing Choice Vouchers	14.871	Eligibility, Special Tests – Selections from Waiting List	FY 2023	Not Implemented	See Current Year finding 2024-003
2023-006	Section 8 Housing Choice Vouchers	14.871	Allowability	FY 2023	Implemented	N/A
2023-007	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Quality Control Inspections	FY 2023	Not Implemented	See Current Year finding 2024-007
2023-008	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Housing Quality Standards Enforcement	FY 2023	Not Implemented	See Current Year finding 2024-005
2023-009	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Housing Assistance Payment, Reporting and Allowability	FY 2023	Not Implemented	See Current Year finding 2024-006
2023-010	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Allowability	FY 2023	Implemented	N/A
2023-011	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	Other – Inaccurate Reporting of the Schedule of Expenditures of Federal Awards	FY 2023	Implemented	N/A