



CITY OF REDONDO BEACH., CALIFORNIA

FOR THE YEAR JUNE 30, 2023

SINGLE AUDIT REPORT

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CITY OF REDONDO BEACH, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

CITY OF REDONDO BEACH, CALIFORNIA

Single Audit Report

For the Fiscal Year Ended June 30, 2023

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

To the Honorable Mayor and Members of the City Council
City of Redondo 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, each major fund, and the aggregate remaining fund information of City of Redondo Beach, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Redondo Beach, California

Purpose of This Report

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

Lance, Solt & Lughard, LLP

Brea, California
February 28, 2024



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

To the Honorable Mayor and Members of the City Council
City of Redondo Beach, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Redondo Beach, California (the City)'s 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 June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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.



To the Honorable Mayor and Members of the City Council
City of Redondo Beach, California

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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



To the Honorable Mayor and Members of the City Council
City of Redondo Beach, California

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.

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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 28, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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.

A handwritten signature in cursive script that reads "Lance, Solt & Lughard, LLP".

Brea, California

March 19, 2024 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated February 28, 2024)

CITY OF REDONDO BEACH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
CDBG - Entitlement Grants Cluster				
Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218		\$ -	\$ 122,039
COVID-19 - Community Development Block Grants/Entitlement Grants (CARES Act)	14.218		-	186,391
Passed through County of Los Angeles				
COVID-19 - Community Development Block Grants/Entitlement Grants (CARES Act)	14.218	QER8VUSLVAT5	-	82,321
Total CDBG - Entitlement Grants Cluster			-	390,751
Housing Voucher Cluster *				
Department of Housing and Urban Development				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871		-	7,506,741
Total Housing Voucher Cluster			-	7,506,741
Federal Transit Cluster				
Department of Transportation				
Direct Programs:				
Transportation Improvement Program - Bus Equipment	20.507		-	1,277,561
COVID-19 - Transportation Improvement Program - Urbanized Area Formula Grant (CARES Act)	20.507		-	1,330,794
Total Federal Transit Cluster			-	2,608,355
Highway Safety Cluster				
Department of Transportation				
Passed through State of California Office of Traffic Safety				
OTS Selective Traffic Enforcement Program	20.600/20.608	XCA4E3XL2KY7	-	86,232
OTS Pedestrian and Bicycle Safety Program	20.600		-	2,951
Total Highway Safety Cluster			-	89,183
Other Programs				
Department of Commerce				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	11,700
Body Worn Camera Policy and Implementation	16.835		-	69,513
Total Department of Commerce Programs			-	81,213
Department of Transportation Program:				
Passed through Department of Alcohol and Beverage Control				
Alcohol Beverage Control - Office of Traffic Safety Grant	20.601	FMBNZJCNM7J9	-	12,615
Total Department of Transportation Programs			-	12,615
Department of Treasury Direct Program:				
Direct Programs:				
Equitable Sharing	21.016		-	4,177
Total Department of Treasury Programs			-	4,177
Department of Homeland Security Direct Program:				
Direct Programs:				
Homeland Security Grant Program	97.067		-	312,902
Total Department of Homeland Security Program			-	312,902
Total Other Programs			-	410,907
Total Expenditures of Federal Awards			\$ -	\$ 11,005,937

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF REDONDO BEACH
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Redondo, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

C. Indirect Cost Rate

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

CITY OF REDONDO BEACH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Financial Services

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**Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2022-001: Net Position Restatement in the Private-Purpose Trust Fund

Evaluation of Finding:

Material weakness.

Criteria:

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Condition:

The City has two deferred loan liabilities with the County of Los Angeles (the 1983 Tax Increment Deferred Loan and the 1984 Tax Increment Deferred Loan) for prior year passthrough agreements. Payments on the deferred loan liabilities are made by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (RPTTF) of the Successor Agency for Redondo Beach RDA. The County Auditor-Controller determines annually the required payments on the passthrough deferred loan obligations and communicates the amounts to the City. It is the City's responsibility to adjust its records accordingly. The deferred loan liabilities have not been adjusted for fiscal year ended June 30, 2021 for payments made by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund of the Successor Agency for Redondo Beach RDA, and payments made for fiscal year ended June 30, 2022 by the County Auditor-Controller were not recorded. As a result, deferred loan liabilities were overstated by \$1,227,101 at June 30, 2021 and the repayments of \$566,428 for fiscal year ended June 30, 2022 were not recorded.

Cause:

The transactions are fairly new to the City since the dissolution of the Redevelopment Agencies. The payments are made by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund on behalf of the Successor Agency for Redondo Beach RDA. The City only receives an annual notification letter of the fiscal year repayment and the outstanding balance of the County passthrough deferral liabilities.

Effect:

Deferred loan liabilities were overstated by \$1,227,101 at June 30, 2021 and the repayments of \$566,428 for fiscal year ended June 30, 2022 were not recorded.

CITY OF REDONDO BEACH
Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2022-001: Net Position Restatement in the Private-Purpose Trust Fund (Continued)

Context:

The payments are made directly by the County Auditor-Controller to the passthrough entities from the Redevelopment Property Tax Trust Fund on behalf of the Successor Agency for Redondo Beach RDA. The City only received an annual notification letter of the fiscal year repayment and the outstanding balance of the County passthrough deferral liabilities

Repeat Finding:

No.

Recommendation:

We recommend that the City add on its fiscal year-end closing procedures the adjustment of the deferred loan liabilities based on the County Auditor Controller's annual notification letter of the fiscal year repayment and outstanding balance of County passthrough deferral loan liabilities.

Management Response and Corrective Action:

The City agrees with the Auditors comments. Staff will update policy and procedures for fiscal year-end procedures to add the adjustment of the deferred loan liabilities to the schedule; based on the County Auditor Controller's annual notification letter of the fiscal year repayment and outstanding balance of County passthrough deferral loan liabilities.

Current year Status:

For fiscal year 2022-23, the City recorded and included the entry to adjust the deferred loan liabilities to their fiscal year-end closing procedures.

Finding 2022-002: Late Filing of the Single Audit Report

Evaluation of Finding:

Material Weakness.

Criteria:

Management is responsible for providing timely and accurate financial information. Because the City has expended over \$750,000 in federal awards, Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) requires the City to submit a Data Collection Form and a single audit reporting package, which include the Basic Financial Statements of the City, to the Federal Audit Clearinghouse and the State Controller's Office within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period.

Condition:

The City has experienced significant delays in the preparation and issuance of its 2022 annual comprehensive financial report and has missed the filing date of March 31, 2023 for the submission of the a Data Collection Form and a single audit reporting package.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2022-002: Late Filing of the Single Audit Report (Continued)

Cause:

The City had delays in the implementation of GASB 87 and the Finance Director retired before the end of the fiscal year.

Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with Uniform Guidance nor is in meeting its current demands for external reporting.

Context:

The City has had challenges meeting the filing deadlines. While this has been an ongoing issue, the City is working on resolving its staffing challenges.

Repeat Finding:

No.

Recommendation:

The Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing procedures and the preparation of its basic financial statements. Because the basic financial statements are the responsibility of the City, it is in its best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported.

Management Response and Corrective Action:

The City agrees with the Auditors comments. Staff has hired the Financial Services Director, Assistant Financial Services Director and Administrative Analyst. These critical vacancies were vacant for a long period of time due to retirements of senior staff in Finance. These positions are staffed bringing forth academic foundation in Finance, Accounting and Business as well as over 30 years' experience in local government finance. Additionally, a strategic plan and process review is underway which includes but is not limited to financial reporting procedures. The objective is to update the schedule for the preparation of financial statements reporting schedule; re-align the accounting cycle schedule and staff to ensure the accurate and timely reporting of all activities. No matters were reported.

Current Year Status:

The single audit for the fiscal year ended June 30, 2023, will be filled before the due date.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.