CITY OF LONG BEACH, CALIFORNIA

Single Audit Report
Year Ended September 30, 2025
(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH, CALIFORNIA
Single Audit Report
Year Ended September 30, 2025

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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, 2025, 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 24, 2026.

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.

(Continued)

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 24, 2026

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, 2025. 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, 2025.

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, 2025.

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, 2025.

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.

(Continued)

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 $25,825,279 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended September 30, 2025. 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 *2025-001 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 *2025-002 for Eligibility/Special Tests* and *2025-003 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.

(Continued)

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 *2025-004*. 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 2025-001, 2025-002, and 2025-003 to be material weaknesses.

(Continued)

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 item 2025-004 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2026, 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 26, 2026

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	$ 13,327,589	$ -
WIC Special Supplemental Nutrition Program For Women, Infants, And Children	10.557	22-10256	5,025,428	-
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			18,353,017	-
Child Nutrition Cluster:				
Passed through the State of California, Department of Education:				
Summer Food Service Program for Children (SFSPC)	10.559	19-81908V	137,239	-
Total Child Nutrition Cluster (10.559)			137,239	-
SNAP Cluster:				
Passed through the State of California, Department of Public Health:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	23-10321	855,555	-
Total SNAP Cluster (10.561)			855,555	-
Direct:				
Community Forestry	10.727	24-DG-11052021-225	171,725	-
Total Department of Agriculture			**19,517,536**	**-**
Department of Commerce:				
Economic Development Cluster:				
Direct:				
FY2020 EDA Disaster Grant - Economic Development Agency (EDA)	11.307	07-79-07489	1,369,952	-
Total Economic Development Cluster (11.307)			1,369,952	-
Total Department of Commerce			**1,369,952**	**-**
Department of Housing and Urban Development:				
CDBG – Entitlement/Special Purpose Grants Cluster:				
Direct:				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0522	63,413	-
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0522	113,649	-
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0522	7,243	-
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-06-0522	1,254,639	-
Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-06-0522	2,160,486	-
Community Development Block Grants/Entitlement Grants	14.218	B-24-MC-06-0522	3,721,994	-
Community Development Block Grants/Entitlement Grants	14.218	PROGRAM INCOME	3,026,786	-
Total CDBG – Entitlement/Special Purpose Grants Cluster (14.218)			10,348,210	-

(Continued)

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 Housing and Urban Development continued:				
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	$ 2,213,738	$ -
Direct:				
Emergency Solutions Grant Program	14.231	E-23-MC-06-0522	398,057	-
Emergency Solutions Grant Program	14.231	E-24-MC-06-0522	141,293	-
Total Emergency Solutions Grant Program (14.231)			539,350	-
HOME Investment Partnerships Program	14.239	M-20-MC-06-0518	1,208,916	-
HOME Investment Partnerships Program	14.239	M-21-MC-06-0518	79,268,031	-
HOME Investment Partnerships Program	14.239	M-23-MC-06-0518	283,206	-
COVID-19 HOME Investment Partnerships Program ARPA	14.239	M-21-MP-06-0518	1,458,327	-
Home Investment Partnership Act Grant Program Income	14.239	PROGRAM INCOME	49,626	-
HOME Investment Partnerships Program	14.239	M-24-MC-06-0518	189,986	-
Total Home Investment Partnerships Program (14.239)			82,458,092	-
Passed through the City of Los Angeles:				
Housing Opportunities for Persons With AIDS (HOPWA)	14.241	CAH24-F005	421,159	-
Direct:				
Economic Development Initiative-Community Project Funding	14.251	B-22-CP-CA-0135	904,989	-
Continuum of Care	14.267	CA9006U9D062200	1,452,192	498,796
Continuum of Care	14.267	CA9999U9D062310	6,994,871	4,600,913
Continuum of Care	14.267	CA9999U9D062XX	2,208,336	1,775,994
Total Continuum of Care Program (14.267)			10,655,399	6,875,703
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA068VO	132,346,508	-
COVID-19 Section 8 Housing Choice Vouchers	14.871	CA068VO	10,806,597	-
Total Housing Voucher Cluster (14.871)			143,153,105	-
Family Self-Sufficiency Program	14.896	FSS23CA5429-01-02	400,521	-
Lead Hazard Reduction Demonstration Grant Program	14.905	CALHD0477-22	1,334,025	184,905
Healthy Homes Production Grant Program	14.913	CAHHP0127-24	591,424	168,390
Total Department of Housing and Urban Development			**253,020,012**	**7,228,998**

(Continued)

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 the Interior:				
Direct:				
WaterSMART (Sustain and Manage America’s Resources for Tomorrow)	15.507	R23AP00602	$ 43,145	$ -
WaterSMART (Sustain and Manage America’s Resources for Tomorrow)	15.507	R22AP00050	30,919	-
WaterSMART (Sustain and Manage America’s Resources for Tomorrow)	15.507	R24AP00560	100,732	-
WaterSMART (Sustain and Manage America’s Resources for Tomorrow)	15.507	R24AP00686	675	-
Total WaterSMART(Sustain and Manage America's Resources for Tomorrow) Program (15.507)			175,471	-
Reclamation States Emergency Drought Relief - Alamitos	15.514	R21AP10354	252,720	-
Applied Science Grants	15.557	R23AP00112	50,038	-
Passed through the State of California, Natural Resources Agency:				
Outdoor Recreation Acquisition, Development And Planning	15.916	C8964002	97,577	-
Total Department of the Interior			**575,806**	**-**
Department of Justice:				
Direct:				
Public Safety Partnership and Community Policing	16.710	15JCOPS-22-GG-04092-LEMH	111,416	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15BPJA-23-GG-01231-JAGX	220,138	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA24GG01901	981	-
Total Edward Byrne Memorial Justice Assistance Grant Program (16.738)			221,119	-
Paul Coverdell Forensic Science Improvement Program 2023 (Cal-OES)	16.742	CQ23197240	47,452	-
Paul Coverdell Forensic Science Improvement Program 2024 (Cal-OES)	16.742	CQ24029901	36,418	-
Total Paul Coverdell Forensic Sciences Improvement Grant Program (16.742)			83,870	-
Congressionally Recommended Awards	16.753	15PBJA-22-GG-00149-BRND	604,049	-
Body Worn Camera Policy and Implementation	16.835	15PBJA-21-GG-04414-BWCX	218,340	-
Comprehensive Opioid, Stimulant, and Substance Use Program	16.838	15PBJA-21-GG-04	173,304	-
Comprehensive Opioid, Stimulant, and Substance Use Program	16.838	15PBJA24GG04454	2,869	-
Total Comprehensive Opioid, Stimulant, and Substance Use Program (16.838)			176,173	-
Total Department of Justice			**1,414,967**	**-**

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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 Cluster:				
Passed through the State of California, Employment Development Department:				
WIOA Adult Program	17.258	AA011103	$ (139)	$ -
WIOA Adult Program	17.258	AA411013	61,708	-
WIOA Adult Program	17.258	AA511013	1,317,568	-
WIOA Adult Program	17.258	AA411013	1,846	-
WIOA Adult Program	17.258	AA511013	45,399	-
WIOA Adult Program	17.258	AA611013	340,561	-
Total WIOA Adult Program (17.258)			1,766,943	-
Passed through the State of California, Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Youth Activities	17.259	C138844	(7,635)	-
WIOA Youth Activities	17.259	AA411013	69,928	-
WIOA Youth Activities	17.259	AA511013	1,761,864	83,405
WIOA Youth Activities	17.259	AA611013	396,667	-
Total WIOA Youth Activities (17.259)			2,220,824	83,405
Passed through the State of California, Employment Development Department:				
WIOA Dislocated Worker Formula Grants	17.278	AA411013	12,347	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	42,298	-
WIOA Dislocated Worker Formula Grants	17.278	AA611013	274,916	-
WIOA Dislocated Worker Formula Grants	17.278	AA411013	70,323	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	855,960	-
WIOA Dislocated Worker Formula Grants	17.278	AA611013	7,657	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	68,783	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	11,017	-
WIOA Dislocated Worker Formula Grants	17.278	AA611013	20,524	-
WIOA Dislocated Worker Formula Grants	17.278	AA511013	233,890	-
Total WIOA Dislocated Worker Formula Grants (17.278)			1,597,715	-
Total WIOA Cluster (17.258, 17.259, 17.278)			5,585,482	83,405
Passed through the South Bay Workforce Investment Board:				
Registered Apprenticeship	17.285	AP-38900-22-60-A-6	3,763	-
Total Department of Labor			**5,589,245**	**83,405**

(Continued)

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 Transportation:				
Direct:				
Airport Improvement Program	20.106	30601270552022	$ 11,180	$ -
Airport Improvement Program	20.106	30601270572023	620,289	-
Airport Improvement Program	20.106	30601270562023	8,094,471	-
COVID-19 Airport Improvement Program	20.106	30601270542022	13,687	-
Airport Improvement Program	20.106	30601270572023	5,654	-
Airport Improvement Program	20.106	30601270592025	2,463,913	-
Total Airport Improvement Program (20.106)			11,209,194	-
Passed through the State of California, Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	LPPCML5108(185)	(312,083)	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(199)	247,630	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STIPL-5108(197)	702,110	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BHLS-5108(173)	23,815	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(201)	219,179	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPLNI-5108(202)	149,053	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPL-5108(204)	20,466	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ATPLNI-5108(218)	188,735	-
COVID-19 Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5108(178)	14,749	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-5108(208)	7,115	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-5108(206)	2,983	-
Total Highway Planning and Construction (Federal-Aid Highway Program) (20.205)			1,263,752	-
Highway Safety Cluster:				
Passed through the State of California, Department of Traffic Safety:				
State and Community Highway Safety	20.600	DD24003	205,911	-
State and Community Highway Safety	20.600	PS24017	290,463	-
National Public Safety Programs	20.616	DI24005	220,536	-
Total Highway Safety Cluster			716,910	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT25U40	410,528	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	693-32/HMEP22	6,054	-
Direct:				
Port Infrastructure Development Program	20.823	693JF72040020	2,407,553	-
Port Infrastructure Development Program	20.823	693JF722450027	4,498,823	-
Total Port Infrastructure Development Program (20.823)			6,906,376	-
Total Department of Transportation			**20,512,814**	**-**

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CITY OF LONG BEACH, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2025

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 Treasury:				
Passed through the State of California, Department of Housing and Community Development:				
COVID-19 Emergency Rental Assistance Program	21.023	21-ERAP-30018	$ (5,832)	$ -
Total Department of Treasury			**(5,832)**	**-**
Department of Small Business Administration:				
Direct:				
Congressional Earmarks Initiative	59.059	SBAHQ23I0125	1,000,000	1,000,000
Total Department of Small Business Administration			**1,000,000**	**1,000,000**
Environmental Protection Agency:				
Passed through the State of California, State Water Resources Control Board:				
Beach Monitoring and Notification Program Implementation Grants	66.472	D2214103	73,166	-
Beach Monitoring and Notification Program Implementation Grants	66.472	D2514103	23,679	-
Total Beach Monitoring and Notification Program Implementation Grants (66.472)			96,845	-
Reduce, Reuse, Recycling Education and Outreach Grants	66.921	84079801	169,471	-
Total Environmental Protection Agency			**266,316**	**-**
Department of Health & Human Services:				
Passed through the County of Los Angeles:				
Public Health Emergency Preparedness	93.069	PH-005481	943,503	-
Public Health Emergency Preparedness	93.069	PH-003348	576	-
Total Public Health Emergency Preparedness (93.069)			944,079	-
Direct:				
Environmental Public Health and Emergency Response	93.070	NUE1EH001405	63,670	-
Healthy Marriage Promotion and Responsible Fatherhood Grant	93.086	90ZJ0025	939,915	152,714
Healthy Marriage Promotion and Responsible Fatherhood Grant	93.086	BSCC 1306-24	350,417	-
Total Healthy Marriage Promotion and Responsible Fatherhood Grants (93.086)			1,290,332	152,714
Passed through the State of California, Department of Public Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2375BASE00	99,397	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2575BASE-F	34,956	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2475SPND00	167,985	-
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)			302,338	-
Passed through the State of California, Department of Public Health:				
Childhood Lead Poisoning and Prevention Projects	93.197	23-10261	442,605	-

(Continued)

CITY OF LONG BEACH, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2025

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 Health & Human Services continued:				
Passed through the State of California, Department of Public Health continued:				
Immunization Cooperative Agreements	93.268	22-11073	$ 240,355	$ -
Immunization Cooperative Agreements	93.268	17-10325	(67,224)	-
Total Immunization Cooperative Agreements (93.268)			173,131	-
Passed through the National Association of County and City Health Officials:				
Protecting and Improving Health Globally	93.318	2024-032508	23,456	-
Passed through the County of Los Angeles:				
Epidemiology and Lab Capacity for Infectious Diseases (ELC)	93.323	PH-003348	247,864	-
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-003348	67,130	-
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	PH-005481	30,979	-
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (93.354)			98,109	-
Direct:				
COVID-19 Activities To Support State, Tribal, Local And Territorial Health Department Response To Public Healthcare Crises	93.391	1 NH75OT000004-01-00	224,374	75,000
Passed through the State of California, Department of Health Services:				
Passed through the County of Los Angeles, Department of Public Social Services:				
CalWORKs Transitional Subsidized Emp Pro - 2012	93.558	16-W129	2,990	-
Passed through the State of California, Department of Health Services:				
Passed through the County of Los Angeles, Department of Economic Opportunity:				
Temporary Assistance for Needy Families	93.558	C-142212	(1,795)	-
Temporary Assistance for Needy Families	93.558	IA-0214	(1,558)	-
Temporary Assistance for Needy Families	93.558	IA-0214	(98)	-
Temporary Assistance for Needy Families	93.558	IA-2404-PG	164,410	-
Temporary Assistance for Needy Families	93.558	IA-2404-PG	75,683	-
Total Temporary Assistance for Needy Families (93.558)			239,632	-
Medicaid Cluster:				
Passed through the State of California, Department of Health Services:				
Medical Assistance Program (Medicaid; Title XIX)	93.778	EVERGREEN PA-CITY OF LONG BEACH	162,932	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	61-19Evrgrn	55,800	-
Passed through the County of Los Angeles:				
Children's Health Outreach (LA County) 2023-2025	93.778	PH-004979	155,242	-
Total Medicaid Cluster (93.778)			373,974	-

(Continued)

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 Health & Human Services continued:				
Passed through the State of California, Department of Health Services:				
Centers for Medicare and Medicaid Services (CMS)				
Research, Demonstrations and Evaluations	93.779	849996	$ 203,459	$ -
Passed through the County of Los Angeles:				
HIV Emergency Relief Project Grants	93.914	PH-004606	6,220	-
HIV Emergency Relief Project Grants	93.914	PH-003753 / H89HA00016	38,837	-
HIV Emergency Relief Project Grants	93.914	PH-002900	126,346	-
HIV Emergency Relief Project Grants	93.914	PH-003754	195,513	-
HIV Emergency Relief Project Grants	93.914	PH-004606 / H89HA00016	9,758	-
HIV Emergency Relief Project Grants	93.914	PH-005711	388,529	-
Total HIV Emergency Relief Project Grants (93.914)			765,203	-
Passed through the State of California, Department of Public Health:				
HIV Care Formula Grants	93.917	23-10966	1,048,037	-
Passed through the State of California, Department of Public Health:				
HIV Prevention Activities Health Department Based	93.940	PH-003492/NU62PS924569	641,933	-
Passed through the County of Los Angeles, Department of Public Health:				
HIV Prevention Activities Health Department Based	93.940	PH-003082-W3	36,769	-
HIV Prevention Activities Health Department Based	93.940	PH-003082 W3-1 & W3-2	12,565	-
Total HIV Prevention Activities Health Department Based (93.940)			691,267	-
Direct:				
CDC's Collaboration With Academia to Strengthen Public Health	93.967	NE11OE000044	2,283,305	-
Passed through the State of California, Department of Public Health:				
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	20-10720	92,598	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1NH25PS005219-1	69,710	-
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants (93.977)			162,308	-
Passed through the State of California, Department of Public Health:				
Maternal and Child Health Services Block Grant To the States	93.994	202360	879,904	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	1,058,939	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	57,850	-
Maternal and Child Health Services Block Grant To the States	93.994	202360	345,587	-
Total Maternal and Child Health Services Block Grant to the States (93.994)			2,342,280	-
Total Department of Health & Human Services			**11,919,423**	**227,714**

(Continued)

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 Homeland Security:				
Passed through the State of California, Office of Emergency Services:				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	037-4300	$ 16,809,436	$ -
Hazard Mitigation Grant Program (HMGP)	97.039	FIPS 037-43000	354,414	-
Hazard Mitigation Grant Program (HMGP)	97.039	037-43000	252,518	-
Total Hazardous Mitigation Grant Program (97.039)			606,932	-
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	39,485	-
Assistance To Firefighters Grant (AFG)	97.044	EMW2022FG03941	406,324	-
Direct:				
Port Security Grant Program (PSGP)	97.056	EMW-2020-PU-00179	69,266	-
Port Security Grant Program (PSGP)	97.056	EMW-2021-PU-00463	197,522	-
Port Security Grant Program (PSGP)	97.056	EMW-2022-PU-003	217,518	-
Port Security Grant Program (PSGP)	97.056	EMW-2023-PU-004	157,472	-
Port Security Grant Program (PSGP)	97.056	EMW2022PU00352	50,070	-
Port Security Grant Program (PSGP)	97.056	EMW2019PU00170	(6,207)	-
Port Security Grant Program (PSGP)	97.056	EMW2020PU00043	(193,192)	-
Port Security Grant Program (PSGP)	97.056	EMW-2022-PU-00193	1,573,028	-
Port Security Grant Program (PSGP)	97.056	EMW-2023-PU-00200	1,034,693	-
Port Security Grant Program (PSGP)	97.056	EMW2024PU05556	618,745	-
Total Port Security Grant Program (97.056)			3,718,915	-
Passed through the State of California, California Office of Emergency Services:				
Passed through the City of Los Angeles:				
Homeland Security Grant Program (HSGP)	97.067	EMW-2020-SS-00032	161,659	-
Homeland Security Grant Program (HSGP)	97.067	EMW-2021-SS-00081	70,665	-
Homeland Security Grant Program (HSGP)	97.067	EMW-2022-SS-00043	3,708,687	-
Homeland Security Grant Program (HSGP)	97.067	2023-SS-00042	3,462,217	-
Homeland Security Grant Program (HSGP)	97.067	2024-SS-05088	498,623	-
Passed through the County of Los Angeles:				
Homeland Security Grant Program (HSGP)	97.067	EMW-2019-SS-00035	3,740	-
Homeland Security Grant Program (HSGP)	97.067	037-00000	160,017	-
Homeland Security Grant Program (HSGP)	97.067	037-00000	443,590	-
Homeland Security Grant Program (HSGP)	97.067	037-00000	3,750	-
Total Homeland Security Grant Program (97.067)			8,512,948	-

(Continued)

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 Homeland Security continued:				
Direct:				
Staffing For Adequate Fire And Emergency Response (SAFER)	97.083	EMW2021FF00669	$ 1,254,751	$ -
Total Department of Homeland Security			**31,348,791**	**-**
Total Federal Expenditures			**$ 346,529,030**	**$ 8,540,117**

(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 $25,825,279 for the year ended September 30, 2025 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, 2025, the balance of loans with continuing compliance requirements for the HOME program was $79,460,563.

(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 $13,327,589 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2025.

(4) Indirect Cost Rate

The City did not elect to use the 15% 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
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers Program– Housing Voucher Cluster
17.258, 17.259, 17.278	WIOA Cluster
20.106	Airport Improvement 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

(Continued)

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

No matters were reported.

(Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2025-001

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, 2024

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).*

(Continued)

(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.*

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 obtain documentation from the property manager to confirm that occupants of HOME-assisted units were qualified tenants for eighteen properties, which had a combined outstanding loan balance of $9.3 million as of fiscal year-end. These properties comprised a total of one hundred and fifty-four units, all associated with the same development group. The City could not secure the required records from the property manager to verify household income for each tenant. Consequently, compliance with income eligibility criteria, maximum rent thresholds, and minimum set-aside obligations for units designated for eligible individuals could not be determined.

(Continued)

Cause
The City's has been unable to obtain required documents from the developer/owner, including 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 developer/owner's withholding of required documents 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 $9.3 million. This represents 12% of the 154 HOME Loans and their related $79.5 million outstanding balances.

On August 29th, 2025 the City of Long Beach initiated legal action against the developer/owner in Los Angeles County Superior Court. The action concerns Borrower's breach of loan agreements with the City regarding real property for which the City seeks foreclosure and is ongoing as of the issuance of this report.

Identification as a repeat finding if applicable
2024-001

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 has exercised its rights to enforce compliance with the terms of its contractual arrangement for this standalone developer/owner, which has resulted in the highest levels of legal action.

Through its established monitoring and review procedures, City staff identified documents submitted by the developer that appeared to be inaccurate or falsified. This discovery prompted a multi-year investigation and subsequent litigation, undertaken in direct collaboration and response to instructions as directed by HUD. Throughout this period, the City's investigative and litigation activities have not been historically viewed as compliance concerns, particularly given their necessity in preserving the integrity of the legal process.

(Continued)

At every stage, the City has acted consistently with HUD's directives and the requirements of the applicable contractual framework. During the multi-year investigation, HUD expressly instructed the City to continue normal program operations to avoid alerting the developer and to maintain the integrity of the ongoing inquiry. The City respectfully asserts that the audit finding is inconsistent with HUD's guidance and the historical practices necessary to ensure effective enforcement. Since the initial identification of the finding, the City has taken all reasonable corrective actions within its authority to address the issue and mitigate associated risks. These actions include following established monitoring procedures to ensure compliance with HOME program requirements, making repeated documented requests for tenant eligibility records from the developer/owner, and escalating efforts through the City Attorney. This issue is isolated to one developer/owner and sampling for other developers/owners has not identified similar concerns. The City has been transparent about the ongoing litigation involving the standalone developer/owner responsible for maintaining the records and remains committed in resolving this matter and in pursuing additional actions available once the legal proceedings have been concluded.

Furthermore, the City contends that the conditions described in 2 CFR 200.511(b)(3) apply and support dismissal of the finding, and therefore no further corrective action should be warranted. The City has not received any directives from the federal awarding agency requiring corrective measures beyond those already implemented. The continued reporting of the finding conflicts with necessary historical practice and reflects the unresolved status of litigation as directed by HUD, and not a failure by the City to take appropriate corrective action.

(Continued)

Finding Number: 2025-002

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

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

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: 2025

Criteria or specific requirement (including statutory, regulatory, or other citation)
Allowable Costs Principles ; Activities Allowed and Unallowed; Eligibility (§ 982.201 Eligibility and targeting)

(1) *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.*

(2) *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.*

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 aslate.

§ 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.*

(Continued)

(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).

Housing Authority of the City of Long Beach HCV Admin Plan
Failure to Provide Consent [24 CFR §982.552(b)(3)] PHAs must terminate assistance if any family member fails to sign and submit any consent form that is required for a reexamination. See Chapter 7 for a complete discussion of consent requirements.

(Continued)

12-II.F. TERMINATION NOTICE
HUD regulations require PHAs to provide written notice of termination of assistance to a family only when the family is entitled to an Informal Hearing. However, since the family's HAP Contract and lease will also terminate when the family's assistance terminates, it is a good business practice to provide written notification to both owner and family any time assistance will terminate, whether voluntarily or involuntarily.

PHA Policy
Whenever a family's assistance will be terminated, the PHA will send a written notice of termination to the family and to the owner. The PHA will also send a form HUD-5382 and form HUD-5380 to the family with the termination notice. The notice will state the date on which the termination will become effective. This date generally will be at least 30 calendar days following the date of the termination notice, but exceptions will be made whenever HUD rules, other PHA policies, or the circumstances surrounding the termination require.

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).

§ 982.552 PHA denial or termination of assistance for family.

(b) Requirement to deny admission or terminate assistance.

(3) The PHA must deny admission to the program for an applicant, or terminate program assistance for a participant, if any member of the family fails to sign and submit consent forms for obtaining information in accordance with part 5, subparts B and F of this title.

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..

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.

(Continued)

Condition
For 35 of 60 participants tested, the annual re-examination of eligible participants or redetermine family income on an annual basis (12 months). Of these 35 eligible participants noted as not completed in the annual period, 4 were completed within the 2-month grace period, before HUD considers the re-examination late for its purposes. The remaining 31 participants were not subject to reexamination until after 14 months.

For one additional participant, the documentation needed to complete the income reexamination was not received by the established deadline. HACLB notified the participant in November 2024 of a March 2025 due date, and on April 22, 2025 issued a request for additional documentation, indicating the information was needed by May 9, 2025. After the documentation was not received, there was an extended gap before further follow-up occurred, and HACLB issued a notice regarding the participant's assistance in March 2026. As a result, the annual reexamination was not completed within the required period.

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
Failure to review participant eligibility annually may result in noncompliance with HUD regulations. Furthermore, this lapse can allocate program resources to ineligible participants, leading to unallowable costs. When delays occur in the re-examination process and subsequent adjustments require decreased payments, the housing authority may inadvertently make overpayments during the intervening period.

Questioned costs
Known questioned costs of $29,566; likely questioned costs of $1,128,681.

Questioned costs were determined from a sample of 60 participants during fiscal year 2025. For each sampled participant whose reexamination was completed after its required date and who required a HAP (Housing Assistance Payment) reduction upon reexamination, the difference between the two payment amounts, with applicable program safe harbors incorporated, was multiplied by the number of months the reexamination extended beyond its required date, aggregating to known questioned costs of $29,566.

The population used in the projection was then bifurcated, isolating late reexaminations resulting in 1,363 of the 7,226 reexaminations due during the year (18.86%) being identified as completed after their required date. Total HAP payments for the year were multiplied by the percentage of late re-examinations and then by the error rate found in late re-examinations during our testing to project likely questioned costs of approximately $1,128,681, an effective error rate of 0.86% for the programs total HAP.

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
2024-003

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 Housing Authority of the City of Long Beach (HACLB) acknowledges the finding regarding the untimely completion of annual reexaminations and recognizes the importance of completing annual recertifications within HUD-required timeframes to ensure program compliance and the accurate administration of housing assistance.

(Continued)

The delays identified during the audit period occurred while HACLB was addressing a significant backlog of overdue annual reexaminations that had accumulated over several years due to extended vacancies in critical Housing Specialist positions. Recruitment and hiring efforts took longer than anticipated, resulting in staffing levels that were insufficient to address both ongoing workload demands and the existing backlog. HACLB agrees that certain annual reexaminations were completed beyond HUD's timeliness requirements and has implemented corrective actions to address the backlog and strengthen compliance.

To strengthen program operations, HACLB has hired and trained additional Housing Specialists, implemented the MRI housing management system to improve workflow tracking and case management, enhanced supervisory oversight of overdue annual reexaminations, and continued utilizing contracted support services to assist with processing pending cases. HACLB is also developing a Request for Proposals (RFP) to procure additional specialized support services to further reduce the remaining backlog and help ensure ongoing compliance with HUD timeliness requirements. As a result of these efforts, HACLB has made substantial progress in reducing the backlog, improving operational efficiency, and strengthening internal controls over the tracking and completion of annual reexaminations.

Historically, findings related to untimely annual reexaminations have generally been addressed as compliance and performance deficiencies rather than as questioned costs. While the audit identified $29,596 in known questioned costs within the sample, the extrapolated questioned costs are not equivalent to actual overpayments during the year. The sampled questioned costs represent only those delayed annual reexaminations that resulted in a reduction in HAP assistance. Delayed annual reexaminations may also result in no change in assistance, an increase in assistance, or adjustments that are mitigated by applicable HUD requirements. The extrapolation assumes that all delayed annual reexaminations produce overpayments at the same rate observed in the sample, which may not accurately represent program-wide experience.

Furthermore, the projection assumes that the reduced HAP amount determined during the eventual annual reexamination would have applied throughout the entire period of delay. However, participant income and household composition frequently change over time. The annual reexamination reflects eligibility at a specific point in time and does not necessarily establish that the same reduced subsidy would have been applicable during each month of the delayed period.

HACLB recognizes the importance of timely annual reexaminations and remains committed to maintaining full compliance with HUD requirements.

(Continued)

Finding Number: 2025-003

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: 2025

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:

(d) The PHA Administrative Plan must cover all the PHA's local policies for administration of the program, including the PHA's policies on the following subjects (see 24 CFR 983.10 for a list of subjects specific to the project-based voucher (PBV) program that also must be included in the Administrative Plan of a PHA that operates a PBV program):

- *(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.*

(Continued)

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 Reinspection's 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 lacked adequate internal controls to ensure the timely reinspection of all initial inspections required for housing quality standards enforcement. Of the 40 sampled cases, 3 re-inspections did not occur as mandated. Consequently, the re-inspections were not conducted within the timeframes established by PHA policy, which aligns with federal requirements. According to policy, a 30-day period for reinspection begins after notification of inspection results, which must be sent within five days of the initial inspection completion, totaling 35 days resulting in noncompliance with PHA policy 8-II.F and 24 CFR 982.406(e)(5).

Testing identified that 2 out of 40 units were classified as Life-Threatening conditions under PHA policy, mandating correction within 24 hours. Despite this requirement, the reinspections conducted exceeded the stipulated 24-hour correction and verification period.

(Continued)

Additionally, 1 unit which failed inspections November 14, 2024 and November 15, 2024 were subject to attempts from the PHA to reinspect the unit. After 3 attempts in December 2024 and January 2025 the PHA did not issue the Notice of Intended Action Enforcement of Family Obligation timely in March 2025. The unit is still going through the informal hearing process.

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.

For the inspections classified as life-threatening, the categorization within the system was incorrect due to mistakes during the data entry process.

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 abated housing assistance payments and impact the quality of housing for tenants.

Questioned costs
None

Context
A sample of 40 required re-inspections related to housing quality standards enforcements over failed initial inspections were tested. These failed inspections, which require items to be corrected before being subjected to re-inspection by the PHA until eventually cleared. 1 re-inspection did not occur and remained open as of the time of this audit. This item related to a failed inspection which occurred in January 2025 is over 15 months past its required re-inspection date.

The time period for this initial failed inspection occurred shortly after their implementation of enhanced reinspection scheduling process in December 2024, using its MRI housing software to automatically schedule re-inspections within the 30-day remediation period. The new system has lead to reduced instances of late or missed re-inspections in our testing when compared to the prior year.

Identification as a repeat finding if applicable
2024-005

Recommendation
In alignment with steps already take by HACLB to strengthen compliance and reduce instances of delayed re-inspections, we recommend HACLB continue refining their controls over the timeliness and completeness of its the housing quality standard enforcement scheduling and monitoring. Continuing with its previous corrective actions in this area, HACLB should enhance staff procedures over the monitoring of the system and related scheduling reports to ensure that every required re-inspection is scheduled and has taken place in compliance with program requirements.

Views of responsible officials and planned corrective actions
HACLB recognizes the importance of conducting timely re-inspections to ensure compliance with HUD National Standards for the Physical Inspections of Real Estate (NSPIRE) enforcement requirements, formerly known as Housing Quality Standards (HQS). HACLB has reviewed the circumstances surrounding the single delayed reinspection, although attempts were made to reinspect the unit, and has evaluated opportunities to strengthen internal controls over reinspection scheduling and monitoring.

(Continued)

Beginning in December 2024, HACLB implemented enhancements to its MRI housing management system to strengthen oversight of inspection enforcement activities by scheduling re-inspections in advance of the required 30-day correction period, reducing the risk of missed or delayed re-inspections.

To further strengthen internal controls, HACLB centralized the process for non-compliance. Inspection staff will regularly review open enforcement cases and reports to identify and promptly address any overdue or pending re-inspections. HACLB will also continue providing staff guidance and training regarding re-inspection scheduling, case monitoring, and NSPIRE enforcement requirements. These measures are intended to improve accountability, strengthen monitoring controls, and reduce the risk of missed or delayed re-inspections.

HACLB remains committed to continuous improvement and maintaining compliance with HUD requirements governing enforcement.

(Continued)

Finding Number: 2025-004

Finding Title: Internal Controls Over Participants Reexaminations

Compliance Requirement(s): Eligibility, Special Tests – HAP Payment

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: 2025

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

24 CFR 985.1 Purpose and applicability.

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 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.*

Where the universe is: the number of admissions in the last year for each of the two quality control samples under the SEMAP indicator at § 985.3(a) Selection from the Waiting List; the number of families assisted for the SEMAP indicators at § 985.3(b) Reasonable Rent, and 985.3(c) Determination of Adjusted Income; the number of units under HAP contract during the last completed PHA fiscal year for the SEMAP indicator at § 985.3(e) HQS Quality Control Inspections; and the number of failed HQS inspections in the last year for the SEMAP indicator at § 985.3(f) HQS Enforcement.

(Continued)

§ 985.3 Indicators, HUD verification methods and ratings

(b) *Reasonable rent.*

(1) This indicator shows whether the PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units: At the time of initial leasing; if there is any increase in the rent to owner; at the HAP contract anniversary if there is a 10 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA's method must take into consideration the location, size, type, quality and age of the units, and the amenities, housing services, and maintenance and utilities provided by the owners in determining comparability and the reasonable rent. (24 CFR 982.4, 24 CFR 982.54(d)(15), 982.158(f)(7), 982.507, and 983.303)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that:

(A) The PHA has a reasonable written method to determine reasonable rent which considers location, size, type, quality and age of the units and the amenities, housing services, and maintenance and utilities provided by the owners; and

(B) Based on the PHA's quality control sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination that the rent to owner is reasonable in accordance with §§ 982.507 and 983.303 of this chapter, as applicable for at least 98 percent of units sampled at the time of initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (b)(3)(i) of this section, except that the PHA documents its determination of reasonable rent for only 80 to 97 percent of units sampled at initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (b)(3)(i) or (b)(3)(ii) of this section. 0 points.

(c) Determination of adjusted income.

(1) This indicator shows whether, at the time of admission and annual reexamination, the PHA verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for utilities under the lease, the PHA uses the appropriate utility allowances for the unit leased in determining the gross rent. (24 CFR part 5, subpart F and 24 CFR 982.516)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that, based on the PHA's quality control sample of tenant files, for at least 90 percent of families:

(A) The PHA obtains third party verification, as appropriate, of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, and uses the verified information in determining adjusted income, and/or documents tenant files to show why third party verification was not available;

(B) The PHA properly attributes and calculates allowances for any medical, child care, and/or disability assistance expenses; and

(C) The PHA uses the appropriate utility allowances to determine gross rent for the unit leased. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (c)(3)(i) of this section, except that the PHA obtains and uses independent verification of income, properly attributes allowances, and uses the appropriate utility allowances for only 80 to 89 percent of families. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (c)(3)(i) or (c)(3)(ii) of this section. 0 points.

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
HACLB utilizes quality control samples from their SEMAP certification process over files documenting selections from the waiting list and income determinations to ensure compliance with requirements for HAP payments. HUD sets requirements for the minimum number of samples required for these indicators with instructions on the universe (population) to sample from and minimum samples based on that universe. HACLB utilized an incorrect universe for their sampling of the universe for determinations of adjusted income. As a result, quality control samples did not meet minimum requirements set by HUD for SEMAP.

Cause
HACLB calculated the minimum required quality control sample size for SEMAP Indicator 3 using the universe of rent reasonableness determinations, rather than the number of families assisted, which is the relevant population under SEMAP guidelines. Consequently, the sample-size calculation did not reflect the appropriate population.

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
It was noted that HACLB calculated the minimum required quality control sample size for SEMAP Indicator 3 based on the universe of rent reasonableness determinations, rather than utilizing the number of families assisted as specified by SEMAP guidelines. As a result, the sample-size calculation did not accurately reflect the appropriate population.

During the audit period, HACLB provided assistance to 7,309 families. According to SEMAP quality control sample size requirements, the minimum sample size for Indicator 3 should have been 57 files. However, HACLB used a universe of 2,665 rent reasonableness determinations and subsequently selected 34 files for review. Despite employing an incorrect population for the sample-size calculation, the files reviewed were ultimately drawn from the correct population of assisted families.

(Continued)

Identification as a repeat finding if applicable
2024-007

Recommendation
We recommend HACLB update policies and procedures to align the selection of quality control samples with federal requirements accordance with federal requirements.

Views of responsible officials and planned corrective actions
HACLB acknowledges the finding regarding the methodology used to calculate the SEMAP Indicator 3 sample size.

To address this finding, HACLB reviewed HUD's SEMAP sampling requirements and will update its sample size worksheet to ensure future quality control sample sizes are calculated using the appropriate population in accordance with federal requirements.

Staff responsible for SEMAP reporting and quality control reviews will receive additional guidance, training, and stay updated with regulations to ensure compliance.

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 PY Finding	Explanation if Not Implemented
2024-001	HOME Investment Partnerships Program (HOME)	14.239	Eligibility	FY 2023	Not Implemented	See Current Year Finding 2025-001
2024-002	HOME Investment Partnerships Program (HOME)	14.239	Special Tests – Housing Quality Standards	FY 2023	Implemented	N/A
2024-003	COVID-19 Section 8 Housing Choice Vouchers	14.871	Eligibility	FY 2023	Not Implemented	See Current Year Finding 2025-002
2024-004	Port Security Grant Program	97.056	Equipment and Real Property Management	FY 2024	Implemented	N/A
2024-005	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Housing Quality Standards Enforcement	FY 2023	Not Implemented	See Current Year Finding 2025-003
2024-006	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Housing Assistance Payment, Reporting, Allowed and Unallowed Costs	FY 2024	Implemented	N/A
2024-007	COVID-19 Section 8 Housing Choice Vouchers	14.871	Special Tests – Quality Control Inspections	FY 2023	Not Implemented	See Current Year Finding 2025-004