

# **City of Palm Springs**

Palm Springs, California

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

*For the Year Ended June 30, 2023*





**City of Palm Springs**  
**Single Audit and Independent Auditors' Reports**  
**For the Year Ended June 30, 2023**

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

**Independent Auditors' Report**

To the Honorable Mayor and the Members of City Council  
of the City Palm Springs  
Palm Springs, 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 (“*Government Auditing Standards*”), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 30, 2023.

**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 City’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be material weaknesses.

To the Honorable Mayor and Members of City Council  
of the City of Palm Springs  
Palm Springs, California  
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### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

### **The City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

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

Santa Ana, California  
December 30, 2023



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

**Independent Auditors' Report**

To the Honorable Mayor and the Members of City Council  
of the City of Palm Springs  
Palm Springs, California

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

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

We have audited the City of Palm Springs, 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 June 30, 2023. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

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

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.



To the Honorable Mayor and Members of City Council  
of the City of Palm Springs  
Palm Springs, California  
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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be material weaknesses.

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 City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. 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 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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2023, 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 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Santa Ana, California  
March 28, 2024, except for the Schedule of Expenditures of Federal Awards, which is as of December 30, 2023

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**City of Palm Springs**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

Federal Grantor/Pass - Through Grantor/Program Title	Assistance listing Number	Grant Identification Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b>CDBG - Entitlement Grants Cluster</b>			
<i>Direct Programs:</i>			
Community Development Block Grant/Entitlement Grants	14.218	B-19-MC06-0561	\$ 146,057
Community Development Block Grant/Entitlement Grants	14.218	B-20-MC06-0561	46,327
Community Development Block Grant/Entitlement Grants	14.218	B-19-MC06-0561	4,378
Community Development Block Grant/Entitlement Grants	14.218	B-22-MC06-0561	127,366
<b>Total CDBG - Entitlement Grants Cluster</b>			<b>324,128</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>324,128</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Program:</i>			
COVID-19-Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1332	3,021
<b>Total U.S. Department of Justice</b>			<b>3,021</b>
<b><u>U.S. Department of Transportation</u></b>			
<b>Airport Improvement Program:</b>			
<i>Direct Programs:</i>			
Airport Improvement Program	20.106	3-06-0181-056-2019	89,581
Airport Improvement Program	20.106	3-06-0181-058-2020	736,732
COVID-19 - Airport Improvement Program	20.106	3-06-0181-060-2021	10,791,632
COVID-19 - Airport Improvement Program	20.106	3-06-0181-061-2021	3,377,513
Airport Improvement Program	20.106	3-06-0181-064-2022	300,200
Airport Improvement Program	20.106	3-06-0181-065-2022	77,383
Airport Improvement Program	20.106	3-06-0181-066-2022	55,274
Airport Improvement Program	20.106	3-06-0181-067-2023	530,437
Airport Improvement Program	20.106	3-06-0181-058-2020	55,446
<b>Total Airport Improvement Program</b>			<b>16,014,198</b>
<i>Passed through the California Department of Transportation:</i>			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BR-NBIL(513)	170,398
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BRLS-5282(042)	16,014
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5282(046)	2,181,681
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPLN-5282(047)	74,169
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BRLO-5282(017)	754,672
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BHLS-5282(041)	106,925
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIP-5282(049)	21,054
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5282(048)	392,032
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BHLS-5282(040)	156,652
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BR-NBIL(502)	11,254
<b>Total Highway Planning and Construction (Federal-Aid Highway Program)</b>			<b>3,884,851</b>
<b>Highway Safety Cluster:</b>			
<i>Passed through California Office of Traffic Safety:</i>			
State and Community Highway Safety	20.600	PT22052	500
<b>Total Highway Safety Cluster</b>			<b>500</b>
<i>Passed through California Office of Traffic Safety:</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22052	12,636
<b>Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>			<b>12,636</b>
<b>Total U.S. Department of Transportation</b>			<b>19,912,185</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 20,239,334</b>

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

**City of Palm Springs**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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**Note 1 – Reporting Entity**

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the City of Palm Springs, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

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

***Basis of Accounting***

Funds received under the various grant programs have been recorded within the General Fund, special revenue funds and enterprise fund of the City. The City utilizes the modified accrual basis of accounting for the General Fund and special revenue funds and the accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

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

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

***Indirect Cost Rate***

The City did not elect to use the 10% de minimis cost rate.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

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

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? **2023-001**
- Significant deficiency(ies) identified? **None Reported**

Noncompliance material to financial statements noted? **No**

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? **2023-002**
- Significant deficiency(ies) identified? **None Reported**

Type of auditors’ report issued on compliance for major federal programs: **Unmodified**

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

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.218	CDBG - Entitlement Grants Cluster	\$ 324,128
20.106	Airport Improvement Program	16,014,198
	Total Expenditures of All Major Federal Programs	<u>\$ 16,338,326</u>
	Total Expenditures of Federal Awards	<u>\$ 20,239,334</u>
	Percentage of Total Expenditures of Federal Awards	<u>80.73%</u>

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

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? **No**

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section II – Financial Statement Findings**

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

**Finding 2023-001 Internal Control and Compliance over Year-End Closing, Bank Reconciliation, and Investment Reports**

**Criteria:**

Management is responsible for the preparation and fair presentation as well as the accuracy of its financial statements including disclosures in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As part of satisfying that responsibility, management should ensure complete year-end closing and diligently produce reliable and accurate financial information.

Generally accepted auditing standards defined internal control as a process – affected by the Members of City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations

In essences, accounting policies and procedures would aid the Finance Department in providing training for accounting personnel, communicating and providing a source of reference to approved policies, and maintaining consistency of recording financial transactions.

In accordance with the City’s annually adopted investment policy, the monthly investment report shall be submitted to the City Council following the end of each month.

**Condition:**

Since the commencement of the audit, 44 adjusting journal entries were provided by the City and 16 audit adjustments were proposed.

In addition, during our testing of September 2022 and December 2022 bank reconciliations, we noted that variance exceeds the allowable variance of 1-2% for the general checking account. Moreover, there was no evidence of review of the bank reconciliation for the general checking and general store museum accounts for December 2022.

We also noted that the monthly investment report for the months of August 2022 to June 2023 were not submitted to the City Council as required for monitoring compliance with all Federal, State, and local laws governing the investment of public funds and City’s investment policy.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section II – Financial Statement Findings (Continued)**

**A. Current Year Findings – Financial Statement (Continued)**

**Finding 2023-001 Internal Control and Compliance over Year-End Closing, Bank Reconciliation, and Investment Reports (Continued)**

**Cause:**

The City has experienced staff turnover within the Finance Department that attributes to the non-submission of monthly investment reports and challenges in handling the year end closing process. The City is still being in the process of training the newly hired accountants and temporary employees.

**Context and Effect:**

The 16 proposed audit adjustments and 44 adjusting journal entries indicated that the year-end closing and reconciliation of subledger were not completed before the commencement of the audit. The number of proposed audit adjustments indicates that the City’s financial reporting processes require improvement. In addition, without monthly reconciliation and review of bank reconciliations, error could go undetected and result in misstatement of the financial statements. Furthermore, the investment reports for months of August 2022 to June 2023 were not submitted to the City Council and resulted in noncompliance with City’s adopted investment policy.

**Recommendation:**

We recommend the City implement policies and procedures to complete year-end closing activities and subledger reconciliations in a timely manner to minimize the need for material correcting entries during audits and implement a formal review process for bank reconciliations to ensure thoroughness and accuracy, thereby mitigating the risk of errors and variances exceeding allowable limits. We further recommend the City enhance its monitoring controls and follow its investment policy to timely submit the monthly investment reports to ensure compliance with the City’s investment policy.

**Views of Responsible Officials:**

The City’s Finance Department experienced heavy turnover in the fall/winter of 2023. Typically, there is a team of 4 that handles the Accounting for the City, 2 Accountants, an Accounting Manager, and the Asst. Director of Finance. The Finance Director has final oversight and review. The Accounting Manager, 1 Accountant, and the Finance Director all terminated with the City between November and December of 2022. The Asst. Director of Finance became the Acting Finance Director, which left 1 Accountant to do the work of 4 for almost 7 months. As of November, 2023 the Accounting team is fully staffed.

- Year-End Closing – The City has implemented procedures, such as reconciling all balance sheet accounts, to ensure the amount of adjusting journal entries will be limited. Additionally, we have staff to spread the amount of work to ensure accuracy and completion of audit schedules and related journal entries timely.
- Bank Reconciliations – The City has performed bank reconciliations manually in prior years. Staff is in the process of reconciling cash within the City’s ERP system, Tyler Munis, to more automate the process which will provide greater accuracy and lower unreconciled differences. Currently, there are enough staff to have a separation of duties to ensure the reconciliations are timely reviewed. The review is the responsibility of the Asst. Director of Finance.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section II – Financial Statement Findings (Continued)**

**A. Current Year Findings – Financial Statement (Continued)**

**Finding 2023-001 Internal Control and Compliance over Year-End Closing, Bank Reconciliation, and Investment Reports (Continued)**

**Views of Responsible Officials: (Continued)**

- Investment Reports (Treasurer’s Reports) – A Treasurer’s Report hasn’t been prepared since July of 2022. City Staff have been working with Chandler Asset Management, the City’s Asset Manager, on a more efficient process that meets both the City’s Investment Policy requirement and the California Government Code. City Staff began adding Treasurer’s Reports on the Council Consent Calendar in February of 2024 and will currently have a report for each month and/or quarter going forward.

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

No prior year findings were reported.



**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs**

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

**Finding: 2023-002 Reporting – Internal Control and Compliance over Reporting**

**Identification of the Federal Program:**

Assistance Listing Number: 14.218  
 Assistance Listing Title: Community Development Block Grants/Entitlement Grants  
 Federal Agency: U.S. Department of Housing and Urban Development  
 Pass-Through Entity: N/A  
 Federal Award Identification Number: B-19-MC06-0561, B-20-MC06-0561, B-22-MC06-0561

Assistance Listing Number: 20.106  
 Assistance Listing Title: Airport Improvement Program  
 Federal Agency: U.S. Department of Transportation  
 Pass-Through Entity: N/A  
 Federal Award Identification Number: 3-06-0181-060-2021, 3-06-0181-061-2021, 3-06-0181-062-2021,  
 3-06-0181-063-2022

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

PR29, *Cash on Hand Quarterly Reports* – PR29 in the Integrated Disbursement and Information System (IDIS) reports the financial status of the grants and cooperative agreement funds and cash transactions using those funds. These reports are required to be submitted to HUD on a quarterly basis, 30 days after the reporting period end date. The due dates of each quarterly report is noted below:

<b>Reporting Period (End Date)</b>	<b>Grantee Submission Deadlines</b>
September 30, 2022	October 30, 2022
December 31, 2022	January 30, 2023
March 31, 2023	April 30, 2023
June 30, 2023	July 30, 2023

SF-425 (OMB No. 0348-0061), *Federal Financial Report (FFR)* – Recipients use the FFR as a standardized format to report expenditures under federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated. Until the grant is completed and closed, this report is required to be submitted annually, due 90 days after the end of each federal fiscal year in which the grant is open which is December 31.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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

**Finding: 2023-002 Reporting – Internal Control and Compliance over Reporting (Continued)**

**Condition:**

During the audit, we noticed that three out of four quarters of PR29 for CDBG and one out of four quarters of PR29 for CDBG-CV were not filed within the deadline and noted below:

<b>PR29 Report</b>	<b>Reporting Period (End Date)</b>	<b>Grantee Submission Deadlines</b>	<b>Filed Date</b>
CDBG	September 30, 2022	October 30, 2022	November 3, 2023
CDBG	December 31, 2022	January 30, 2023	July 27, 2023
CDBG	March 31, 2023	April 30, 2023	July 24, 2023
CDBG-CV	September 30, 2022	October 30, 2022	November 3, 2022

Additionally, we noticed that the following SF-45 were not filed timely:

<b>Grant Number</b>	<b>Reporting Period (End Date)</b>	<b>Grantee Submission Deadline</b>	<b>Filed Date</b>
3-06-0181-060-2021	September 30, 2022	December 31, 2022	June 27, 2023
3-06-0181-061-2021	September 30, 2022	December 31, 2022	June 27, 2023
3-06-0181-062-2021	September 30, 2022	December 31, 2022	June 27, 2023
3-06-0181-063-2021	September 30, 2022	December 31, 2022	June 27, 2023

**Cause:**

The City does not have policies and procedures to ensure that the City understands the requirements of the grants. There was a miscommunication between the City Staff and the Consultant, resulting in the delay of the reports submission of the CDBG and CDBG-CV. Furthermore, the City was unaware that the submission of SF-425 was necessary until the grant was completed and closed, irrespective of whether grant funds were utilized or not.

**Effect or Potential Effect:**

The City was not in compliance with the programs’ reporting requirements.

**Questioned Costs:**

None noted.

**Context:**

See condition above for the context of the finding.

**Identification as a Repeat Finding, If Applicable:**

2022-001.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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

**Finding: 2023-002 Reporting – Internal Control and Compliance over Reporting (Continued)**

**Recommendation:**

We recommended the City improve its communication and monitoring controls to ensure all required reports are prepared and submitted timely. Furthermore, we recommend the City to review and update internal policies and procedures to ensure awareness of federal grant reporting requirements and ensure timely compliance with reporting obligations throughout the grant lifecycle.

**Views of Responsible Officials:**

Management concurs with the finding.

**City of Palm Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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

**Finding: 2022-001 Reporting – Internal Control and Compliance over Reporting**

**Identification of the Federal Program:**

Assistance Listing Number: 20.106  
 Assistance Listing Title: Airport Improvement Program  
 Federal Agency: U.S. Department of Transportation  
 Federal Award Identification Number: 3-06-0181-056-2019, 3-06-0181-057-2019, 3-06-0181-058-2020

**Condition:**

During the audit, we noticed that the City did not prepare the forms FAA 5100-126 and FAA 5100-127. We further noticed that the City did not submit the forms SF-425 and SF-271 within the required timeframe.

- SF-425 was submitted after the required due date or internally mandated due date
- SF-271 was submitted 41 days after the reporting period

During the audit, we noted the following reports were not filed timely:

#	Grant #	Report	Quarter Ended	Due Date	Date Submitted
1	3-06-0181-056-2019	SF-425	12/31/2021	1/30/2022	2/7/2022
2	3-06-0181-056-2019	SF-425	3/31/2022	4/30/2022	5/2/2022
3	3-06-0181-056-2019	SF-425	6/30/2022	7/30/2022	8/10/2022
4	3-06-0181-057-2019	SF-425	12/31/2021	1/30/2022	2/7/2022
5	3-06-0181-057-2019	SF-425	3/31/2022	4/30/2022	5/2/2022
6	3-06-0181-058-2020	SF-425	12/31/2021	1/30/2022	2/7/2022
7	3-06-0181-058-2020	SF-425	3/31/2022	4/30/2022	5/2/2022
8	3-06-0181-058-2020	SF-425	6/30/2022	7/30/2022	9/1/2022
9	3-06-0181-056-2019	SF-271	6/30/2022	N/A*	8/10/2022

\* Due date is after 30 days based on the reporting period.

**Recommendation:**

We recommended the City develop policies and procedures to monitor timeliness of report filing. We also recommend the City creates a new mapping schedule based on new general ledger accounts in order to prepare the required Forms 5100-126 and 5100-127.

**Status:**

Not implemented. See finding 2023-002.