



CITY OF MANHATTAN BEACH, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2023

SINGLE AUDIT REPORT

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CITY OF MANHATTAN BEACH, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

CITY OF MANHATTAN BEACH, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

Table of Contents

	<u>Page Number</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2023	6
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2023	8
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2022	10



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the City's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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



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

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 responses. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
January 29, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Manhattan Beach, California (the "City")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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



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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with 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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.



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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Brea, California

March 12, 2024 (Except for the Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance, which is dated January 29, 2024)

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

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Unique Entity Identifier</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<u>CDBG - Entitlement Grants Cluster</u>				
Department of Housing and Urban Development				
Direct programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ -	\$ 213,185
Total CDBG - Entitlement Grants Cluster			-	213,185
<u>Highway Safety Cluster</u>				
Department of Transportation				
Pass through the State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	XCA4E3XL2KY7		
Selective Traffic Enforcement Program - PT22026			-	1,033
Selective Traffic Enforcement Program - PT23128			-	1,870
Minimum Penalties for Repeat Offenders	20.608			
Selective Traffic Enforcement Program - PT22026			-	18,144
Selective Traffic Enforcement Program - PT23128			-	7,907
Total Assistance Listing Number 20.600/20.608			-	28,954
Total Highway Safety Cluster			-	28,954
<u>Other Programs</u>				
Department of Justice				
Direct programs:				
Bulletproof Vest Partnership Program	16.607			
2020 Bulletproof Vest Partnership Program - 2020BVP			-	3,560
2021 Bulletproof Vest Partnership Program - 2021BVP			-	2,752
Total Assistance Listing Number 16.607			-	6,312
Federal Asset Forfeiture Equitable Sharing Program	16.922		-	3,662
Total Department of Justice Programs			-	9,974
Department of Transportation				
Pass-Through Programs:				
California Office of Emergency Services		UTM3S7LKYQZ4		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		-	53,692
Pass-through the State California Department of Transportation		EHEGWCLJEVJ4		
Highway Planning and Construction Grant *	20.205		-	731,419
Total Department of Transportation Programs			-	785,111
Department of Treasury				
Direct programs:				
Equitable Sharing	21.016		-	7,836
Total Department of Justice Programs			-	7,836
Total Other Programs			-	802,921
Total Expenditures of Federal Awards			\$ -	\$ 1,045,060

* Major program

Note a: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

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

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

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

A. Scope of Presentation

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

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001: Capital assets restatement

Evaluation of Finding:

Material Weakness

Condition:

Vehicles purchased in the prior fiscal year were expensed when they should have been capitalized and the ERP system implementation acquired in prior fiscal year should have been capitalized under GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

Criteria

The City defines capital assets as land, machinery, vehicle, equipment, buildings and improvements, leases, subscriptions and intangible assets with an initial, individual cost of more than \$5,000 and \$100,000 for infrastructure assets (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements) with an estimated useful life in excess of two years. Such assets should be recorded at historical cost or estimated historical cost if purchased or constructed and amortized/depreciated of their estimated useful lives.

Cause of Condition

The City records capital assets as capital outlay expenditure during the year and missed capitalized expenditure during its year-end review process.

Effect or Potential Effect of Condition

Capital assets in the prior fiscal year were understated by \$1,208,800.

Recommendation

We recommend that management make a complete review of capital outlay expenditures at the end of the fiscal year end to insure that capital assets have been capitalized in accordance with City's policy and that projects under completion have been reclassified as construction in progress.

Client Response

The vehicles were capitalized incorrectly in the wrong fiscal year because the effective date was based on the date of the entry rather than the fiscal year. The ERP implementation is still in progress but should have been capitalized within the fiscal year of the financial Go-Live. City staff is currently implementing control measures to ensure accurate recording of future capital assets.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



CITY OF MANHATTAN BEACH
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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.