



Agenda Report

May 6, 2024

TO: Honorable Mayor and City Council/Successor to Pasadena
Community Development Commission

THROUGH: Finance/Audit Committee

FROM: Department of Finance

**SUBJECT: FISCAL YEAR JUNE 30, 2023, SINGLE AUDIT REPORT AND
SAFE, CLEAN WATER PROGRAM (SCW PROGRAM) AUDIT
REPORT**

RECOMMENDATION:

This agenda report is provided for information only; no action is required at this time.

- A. Single Audit Report; and
- B. Safe, Clean Water Program, (SCW Program) Financial Statements

EXECUTIVE SUMMARY:

This action is to receive and file the City's Single Audit Report and SCW Program Financial Statements, for the Fiscal Year (FY) ended June 30, 2023. All financial statements received an unmodified (or clean) opinion. The Single Audit Report reiterates that there were two financial statement findings and reports no grant related findings. The two financial statement findings were related to the timeliness of the bank reconciliation preparation and the number of post-closing journal entries made by City staff, after the start of the audit. The SCW Program audit noted three instances of non-compliance. The first non-compliance occurrence was related to the timeliness of the City's submittal of the annual progress/expenditure reports, the second instance of non-compliance was related to the lack of interest allocation to the SCW Program funds, and the final non-compliance was related to the minimum threshold of expenditures to be utilized annually. The City did not attain the required threshold of SCW Program expenditures in FY 21-22 and FY 22-23.

BACKGROUND:

Single Audit Reports on Federal Awards (Attachment A)

The Single Audit Act establishes uniform audit requirements for local governments expending federal awards greater than \$750,000 a year. The audit is on an “entity-wide” basis and imposes additional requirements in relation to testing of and reporting on, internal control and compliance with laws and regulations. The Single Audit Report for FY ended 2023 contains two reports and three schedules. The Single Audit Report reiterated that there were two financial statement findings, however reported no grant related findings.

Safe, Clean Water Program Financial Statements (Attachment B)

Measure W Fund was set up to administer resources received from the Los Angeles County Flood Control District (District), pursuant to the SCW Program. The purpose of the SCW program is to fund projects and programs to increase stormwater and urban runoff capture and reduce stormwater and urban runoff pollution in the District. Forty percent of the annual SCW program tax revenues are allocated to Municipalities within the District for the implementation, operation and maintenance, and the administration of projects and programs, in accordance with the criteria and procedures established in Chapters 16 and 18 of the District Code.

The SCW Program is new funding for the City. The City has been implementing new processes and procedures to ensure all requirements are met; however, the SCW Program audit noted three instances of non-compliance:

- Annual progress/expenditure reports were submitted to the District, beyond the six-month timeline requirement. Management has implemented year-end procedures to ensure timely submission for all year end reports.
- Program regulations require the City to hold the funds under a separate interest-bearing account, to ensure interest earned from the account is spent only for SCW Program eligible expenditures. The City does not hold multiple accounts; however, performs monthly interest allocations, for funds with this requirement. Management has taken the corrective action to ensure interest is properly allocated to the SCW Program funds within the City's general ledger.
- The City did not meet the required annual expenditure threshold of at least 70% of SCW Program funds. The City expended 65% of the funds. With the implementation of new projects and programs, costs were not incurred as anticipated, resulting in the 5% shortfall. The City does not expect future shortfalls.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the receipt and review of these reports.

FISCAL IMPACT:

There is no fiscal impact as a result of this action, nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance

Approved by:



MIGUEL MARQUEZ
City Manager

Attachments: (2)

- A. Single Audit Report
- B. Safe, Clean Water Program Financial Statement