



CITY OF PASADENA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2024

SINGLE AUDIT REPORT

Focused
on YOU



CITY OF PASADENA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

CITY OF PASADENA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

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

To the Honorable Mayor and Members of the City Council
City of Pasadena, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pasadena, State California (the "City"), as of and for the year ended June 30, 2024, 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 23, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Pasadena, California

City's Response to Finding

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 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.

LSL, LLP

Irvine, California
December 23, 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 UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Pasadena, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pasadena, 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, 2024. 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, 2024.

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.

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.



To the Honorable Mayor and Members of the City Council
City of Pasadena, California

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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 2024-002. Those instances of noncompliance related to the following programs and compliance requirements:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
2024-002	14.218	CDBG – Entitlement/Special Purpose Grants Cluster	Continuing Loan Compliance

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.

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditors' 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.



To the Honorable Mayor and Members of the City Council
City of Pasadena, California

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.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 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 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.

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 units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 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.

LSL, LLP

Irvine, California

March 28, 2025 (Except for the *Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*, which is dated December 23, 2024)

CITY OF PASADENA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Unique Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
SNAP Cluster				
Department of Agriculture:				
Passed through State of California Department of Health Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JE73CDQUAPA7	\$ -	\$ 237,498
Total Department of Agriculture Programs			-	237,498
Total SNAP Cluster			-	237,498
CDBG - Entitlement Grants Cluster				
Department of Housing and Urban Development Direct Programs:				
Community Development Block Grants/Entitlement Grants *	14.218	N/A	185,199	1,573,091
COVID-19 Community Development Block Grants/Entitlement Grants *	14.218	N/A	155,118	346,128
Beginning loan balances *	14.218	N/A	-	27,159,649
Subtotal - AL 14.218			340,317	29,078,868
Total Department of Housing and Urban Development Programs			340,317	29,078,868
Total CDBG - Entitlement Grants Cluster			340,317	29,078,868
Housing Voucher Cluster				
Department of Housing and Urban Development Direct Programs:				
Section 8 Housing Choice Vouchers *	14.871	N/A	-	19,329,914
COVID-19 Section 8 Housing Choice Vouchers (CARES Act) *	14.871	N/A	-	2,628,921
Beginning loan balances *	14.871	N/A	-	50,000
Subtotal - AL 14.871			-	22,006,835
Total Department of Housing and Urban Development Programs			-	22,006,835
Total Housing Voucher Cluster			-	22,006,835
WIOA Cluster				
Department of Labor				
Passed through State of California Department:				
WIOA Adult Program *	17.258	JK7YAK6HPFM6	-	1,300,724
WIOA Youth Activities *	17.259	JK7YAK6HPFM6	-	897,800
WIOA Dislocated Worker Formula Grants - Rapid Response *	17.278	JK7YAK6HPFM6	-	292,170
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion *	17.278	JK7YAK6HPFM6	-	24,906
WIOA Quest National Dislocated Worker Disaster Relief *	17.278	JK7YAK6HPFM6	-	208,362
WIOA Dislocated Worker Formula Grants - Prison to Employment *	17.278	JK7YAK6HPFM6	-	84,140
WIOA Dislocated Worker Formula Grants - Foothill CalTech *	17.278	JK7YAK6HPFM6	-	205,404
			-	814,982
Passed through County of Los Angeles:				
WIOA Dislocated Worker Formula Grants - CalWorks	17.278	JK7YAK6HPFM6	-	207,634
Subtotal - AL 17.278			-	1,022,616
Total WIOA Cluster			-	3,221,140
Total Department of Labor Programs			-	3,221,140
Transit Services Program Cluster				
Pass-through State of California Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	EHEGWCLJEVJ4	-	239,284
Total Department of Transportation Programs			-	239,284
Total Transit Services Programs Cluster			-	239,284
Highway Safety Program Cluster				
Pass-through State of California Department of Transportation:				
State and Community Highway Safety	20.600	EHEGWCLJEVJ4	-	124,503
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - OTS Selective Traffic Enforcement Program (STEP)	20.608	EHEGWCLJEVJ4	-	266,655
Total California Department of Transportation Programs			-	391,158
Total Highway Safety Programs Cluster			-	391,158
Medicaid Program Cluster				
Department of Health and Human Services Direct Programs:				
Medical Assistance Program	93.778	N/A	-	297,273
Passed through County of Los Angeles:				
CHOUER Program	93.778	JK7YAK6HPFM6	-	92,524
Subtotal AL 93.778			-	389,797
Total Department of Health and Human Services Programs			-	389,797
Total Medicaid Program Cluster			-	389,797

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

CITY OF PASADENA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Other Programs

Department of Agriculture:

Passed through State of California Department of Agriculture:
WIC Special Supplemental Nutrition Program for Women,
Infants and Children

10.557	W7NKNHMRD27	-	1,013,992
		-	1,013,992

Total Department of Agriculture Programs

Department of Housing and Urban Development:

Direct Programs:

Community Development Block Grants Section 108 Loan Guarantees

14.248	N/A	-	416,325
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Emergency Solutions Grant Program

14.231	N/A	113,808	161,696
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HOME Investment Partnership Program

14.239	N/A	-	1,552,785
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Beginning loan balances

14.239	N/A	-	13,962,511
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Subtotal AL 14.239

		-	15,515,296
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Continuum of Care Program

14.267	N/A	2,213,638	3,501,273
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Passed through City of Los Angeles:

Home Opportunities for Persons with AIDS

14.241	JK7YAK6HPFM6	-	232,294
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Total Department of Housing and Urban Development Programs

		2,327,446	19,826,884
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Department of Justice:

Direct Programs:

Justice Reinvestment Initiative

16.827	N/A	-	189,262
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Justice Reinvestment Initiative

16.827	N/A	-	593,408
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Subtotal AL 16.827

		-	782,670
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Equitable Sharing Program - Justice

16.922	N/A	-	1,624,703
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Total Department of Justice Programs

		-	2,407,373
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Department of Labor:

Passed through State of California Department:

WIOA Dislocated Worker Formula Grants

17.277	JK7YAK6HPFM6	-	680,083
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Total Department of Labor Programs

		-	680,083
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Department of Transportation:

Passed through the California Department of Transportation

Highway Planning and Construction - Holly Street Bridge Seismic Retrofit

20.205	EHEGWCLJEVJ4	-	85,699
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Highway Planning and Construction - Union Street Cycle Track

20.205	EHEGWCLJEVJ4	-	805,609
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Highway Planning and Construction - Cordova Street Enhancement

20.205	EHEGWCLJEVJ4	-	1,737,592
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Highway Planning and Construction - Rapid Flashing Beacons

20.205	EHEGWCLJEVJ4	-	5,208
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Highway Planning and Construction - Interval/Audible Signal at Intersections

20.205	EHEGWCLJEVJ4	-	12,908
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Federal Transit Capital Investment Grants - Intelligent Transportation System

20.205	EHEGWCLJEVJ4	-	322,467
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Subtotal AL 20.205

		-	2,969,483
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Total Department of Transportation Programs

		-	2,969,483
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Department of Treasury:

Direct Programs:

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - PORT

21.027	N/A	-	578,194
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COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Health Equity

21.027	N/A	-	327,184
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COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Extended Water

21.027	N/A	-	898,792
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and Wastewater Arrearage Payment Program

		-	1,804,170
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Subtotal AL 21.027

		-	1,804,170
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Total Department of Treasury Programs

		-	1,804,170
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Department of Health and Human Services Programs:

Direct Programs:

Substance Abuse and Mental Health Services Projects

93.243	N/A	-	23,375
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of Regional and National Significance (MHAT)

Substance Abuse and Mental Health Services Projects

93.243	N/A	-	416,750
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of Regional and National Significance (CDS)

		-	440,125
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Subtotal AL 93.243

Passed-through the County of Los Angeles, Department of Public Health

ELC Strike (Health Assoc. Infection)

93.323	DN3NGS58SMT9	-	11,950
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CDC PH Infrastructure

93.967	DN3NGS58SMT9	-	226,837
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COVID-19 Epidemiology Laboratory Capacity

93.323	DN3NGS58SMT9	-	2,003,112
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Public Health Emergency Preparedness

93.354	DN3NGS58SMT9	-	282,404
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CDC Disparities

93.354	DN3NGS58SMT9	-	133,613
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Public Health Preparedness, Emergency and Response / Monkeypox

93.354	DN3NGS58SMT9	-	3,978
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Subtotal AL 93.354

		-	419,995
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HIV Prevention Activities Health Department Based

93.940	DN3NGS58SMT9	-	282,267
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Total passed-through the County of Los Angeles, Department of Public Health

		-	2,944,161
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Passed through State of California Department of Health Services:

Project Grants and Cooperative Agreements for Tuberculosis Control Programs

93.116	JE73CDQUAPA7	-	47,663
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Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead

93.197	JE73CDQUAPA7	-	91,031
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Poisoning Prevention and Surveillance of Blood Lead Levels in Children

Immunization Cooperative Agreements

93.268	JE73CDQUAPA7	-	64,160
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COVID-19 Immunization Cooperative Agreements

93.268	JE73CDQUAPA7	-	694,052
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Subtotal AL 93.268

		-	758,212
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CDC Work Force Development

93.391	JE73CDQUAPA7	-	292,419
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State Health Disparity Grant - CERJ

93.391	JE73CDQUAPA7	-	122,540
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Subtotal AL 93.268

		-	414,959
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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF PASADENA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Maternal and Child Health Services Block Grant to the States	93.994	JE73CDQUAPA7	-	115,342
Maternal and Child Health Services Block Grant to the States	93.994	JE73CDQUAPA7	-	619,464
Subtotal AL 93.268			-	734,806
DIS Workforce Development	93.977	JE73CDQUAPA7	-	72,641
Total passed-through the State of California Department of Health Services			-	2,119,312
Total Department of Health and Human Services Programs			-	5,503,598
Department of Homeland Security Direct Programs:				
Direct Programs:				
Hazard Mitigation Grant	97.039	N/A	-	85,054
Hazard Mitigation Grant	97.039	N/A	-	3,514
Subtotal AL 97.039			-	88,568
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	-	1,683,598
Total direct programs			-	1,772,166
Passed through County of Los Angeles				
Homeland Security Grant Program - FY 2020 Urban Areas Security Initiative	97.067	DN3NGS58SMT9	652,602	652,602
Total Department of Homeland Security Programs			652,602	2,424,768
Total Other Programs			2,980,048	36,630,351
Total Expenditures of Federal Awards			\$ 3,320,365	\$ 92,194,931

* Major Program

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

CITY OF PASADENA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

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 Pasadena (the "City"), 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.

NOTE 2: SECTION 108 LOAN GUARANTEE PROGRAM

On October 29, 2015, the City entered into a Contract for Loan Guarantee Assistance under Section 108 with the U.S. Department of Housing and Urban Development in the amount of \$6,000,000 for the Robinson Park Project. On March 28, 2019 the loan was refinanced at \$5,100,000 to lock in permanent fixed interest rates. Principal is payable in annual installments of \$300,000 commencing on August 1, 2019 and ending August 1, 2035. Interest rate is fixed between 2.54%-3.635%. Interest payment is paid semi-annually from the effective date of March 28, 2019. The balance outstanding as of June 30, 2024, is \$3,900,000.

NOTE 3: LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The program costs listed below are administered directly by the City of Pasadena, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards. The balance of loans outstanding at June 30, 2024, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2024
14.218	Community Development Block Grants/Entitlement Grants	\$ 28,153,134
14.239	Home Investment Partnerships Program	14,836,484
14.871	Section 8 Housing Choice Vouchers	50,000
		<u>\$ 43,039,618</u>

CITY OF PASADENA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

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 identified

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 identified

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:

Assistance Listing Numbers:

Name of Federal Program or Cluster

14.218
14.871
17.258, 17.259, 17.278

CDBG – Entitlement/Special Purpose Grants Cluster
Housing Voucher Cluster
WIOA Cluster

Dollar threshold used to distinguish
between type A and type B program

\$2,765,848

Auditee qualified as low-risk auditee?

☐ yes ☒ no

CITY OF PASADENA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number

2024-001 – Year-End Close and Financial Reporting

Evaluation of Finding

Significant Deficiency

Condition

During the audit, we found the following conditions that resulted in significant audit adjustments to the financial statements:

Accuracy in External Financial Reporting

The year-end closing process was not thorough and did not ensure that account balances were reconciled and accurate in advance of the audit requiring a significant number of adjusting journal entries to correct the final financial statements. It appears these errors were primarily caused by the trial balance being prepared from data that was not always complete, contained errors and appropriate year-end reconciliations had not been performed. There were no material adjustments to any opinion unit as a result of these journal entries.

Criteria

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

Cause of Condition

Due to significant volume and detail of general ledger transactions of the City, some processes were not fully executed and reflected in the City trial balance prior to being furnished to the auditors.

Effect or Potential Effect of Condition

Due to the item noted above, there is potential for significant misstatements to be present in the initial trial balance that is provided to the auditors.

Recommendation

The City should continue to enhance and improve their year-end close procedures to ensure the close is complete and reduce the amount of journal entries needed and errors identified after the closing process has been completed. We suggest management also continue to establish effective review policies and procedures, including but not limited to; apply analytical procedures on the trial balance numbers and perform reconciliations of all significant accounts.

Management Response

Management agrees with the finding. While the City has implemented a year-end close checklist that has improved and captured year-end recordings in some areas, further refinement of this checklist and related processes is necessary to ensure a more comprehensive and efficient year-end process.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-002: Continuing Loan Compliance
Significant Deficiency - Noncompliance

Federal Award Information:

Assistance Listing Number: 14.218

Program Title: CDBG – Entitlement Grants Cluster

Federal Award Year(s): FY 2023-24

Name of Federal Agency: U.S. Department of Housing and Urban Development

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Criteria or Specific Requirement:

The City was unable to provide compliance supporting documentation for the CDBG loan proof of insurance and/or residency compliance requirements for the year ended June 30, 2024.

Condition:

We noted that of the loan balances that we sampled, the City was unable to provide supporting documentation for proof of insurance and/or residency for 2 of the selected loans.

Cause of the Condition:

Per our inquiries with the City, due to the significant age of the selected loans, City personnel were unable to obtain the supporting documentation as a significant number of the selected loans had inception dates of ten years or more. Additionally, there wasn't a clear understanding of the compliance requirements to be performed by the grant administrator.

Effect or Possible Effect:

Adequate supporting documentation of outstanding loans are not being effectively maintained and archived by City personnel.

Context:

Out of the loans selected, City was unable to provide documentation on the monitoring procedures.

Repeat Finding:

N/A

Recommendation:

We recommend that management monitors each loan to ensure that the City maintains the most up-to-date information.

Management Response

The City acknowledges the finding regarding the lack of supporting documentation for ongoing compliance with the CDBG loans. The City will implement audit recommendations and maintain all compliance-related documentation on a regular basis to ensure all necessary documents are maintained such as proof of insurance and/or residency compliance requirements.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Finding: 2023-001: Timeliness of Bank Reconciliation Preparation

Appropriate corrective actions were taken; this finding is considered resolved and is not repeated in the fiscal year ended June 30, 2024.

Finding: 2023-002: Year-End Close and Financial Reporting

Reason for Recurrence:

The City identified and provided significant correcting entries after furnishing original trial balance to the auditors during the year ended June 30, 2024.

Planned Corrective Action:

Implementation of year-end closing checklist and a more comprehensive closing procedures.

Current Year Reference Number:

2024-001