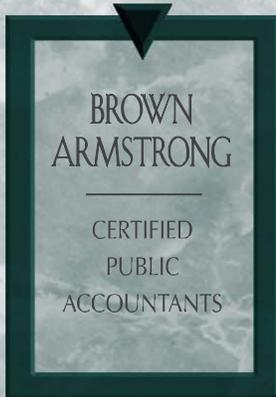


**CITY OF PASADENA**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED JUNE 30, 2013**

**CITY OF PASADENA  
PASADENA, CALIFORNIA  
SINGLE AUDIT REPORT ON FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

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# BROWN ARMSTRONG

*Certified Public Accountants*

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

To the Honorable City Council  
City of Pasadena  
Pasadena, California

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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 the City of Pasadena, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2013.

### **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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Certified Public Accountants

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

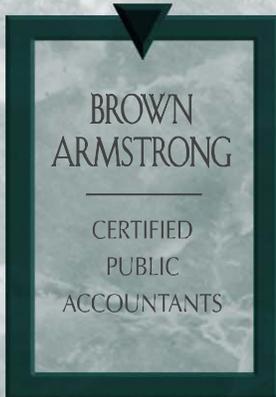
## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
November 8, 2013



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Honorable City Council  
City of Pasadena  
Pasadena, California

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

We have audited the compliance of the City of Pasadena (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2013. 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.

### **Management's Responsibility**

The City's Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-01 through 13-03. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 items 13-01 through 13-03 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2013. We issued our report thereon dated November 8, 2013, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 financial statements 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 27, 2013

**CITY OF PASADENA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures	Amount Provided to Sub- Recipients
<b>Department of Labor</b>				
<i>Passed through the State of California Employment Development Department</i>				
Workforce Investment Act - Adult	17.258	K178656, K282471	\$ 703,907	\$ 71,890
Workforce Investment Act - Youth	17.259	K178656, K282471	860,090	3,163
Workforce Investment Act - Dislocated Worker	17.278	K178656, K282471	704,253	93,280
Workforce Investment Act - Rapid Response	17.278	K074137, K178656, K282471	246,331	-
Workforce Investment Act - Foster Youth	17.207	K178656, K282471	198,848	-
Workforce Investment Act - New Start 15% DW Aug	17.258	R970533	53,937	-
Workforce Investment Act - National Emergency Grant	17.277	K282471	206,140	-
<i>Total Passed through State of California Employment Development Department</i>			<u>2,973,506</u>	<u>168,333</u>
<i>Passed through the County of Los Angeles</i>				
Workforce Investment Act - County Youth	17.259	Y080905	33,082	-
<i>Total Passed through County of Los Angeles</i>			<u>33,082</u>	<u>-</u>
<i>Passed through the City of Hawthorne</i>				
Workforce Investment Act - National Emergency Grant	17.277	11W109	175,820	-
<i>Total Passed through City of Hawthorne</i>			<u>175,820</u>	<u>-</u>
<i>Passed through the City of Inglewood</i>				
Workforce Investment Act - CA Multi-Sector Partnership-25%	17.278	13WO60	31,162	-
<i>Total Passed through City of Inglewood</i>			<u>31,162</u>	<u>-</u>
Total Department of Labor			<u>3,213,570</u>	<u>168,333</u>
<b>Department of Health and Human Services</b>				
<i>Direct Program</i>				
Special Projects of National Significance	93.928	N/A	51,911	-
<i>Total Direct Programs</i>			<u>51,911</u>	<u>-</u>
<i>Passed through the State of California Department of Health Services</i>				
Immunization Subvention Funds	93.268	09-11288	58,504	-
Medi-Cal Administrative Claiming	93.778	04-35118	69,620	-
Centers for Disease Control and Prevention - TB Local Assistance	93.283	N/A	23,777	-
Child Lead Poison Prevention	93.197	95-6000759	107,609	-
MCH County and Comprehensive Prenatal Outreach	93.994	201061	143,450	-
MCH Block Infant	93.994	201061	170,556	-
Child Health and Disability Prevention Program - Gateway	93.778	None - Pasadena 63	190,595	-
<i>Total Passed through the State of California Department of Health Services</i>			<u>764,111</u>	<u>-</u>
<i>Passed through the County of Los Angeles:</i>				
Alcohol & Drug Abuse/Mental Health Services Block Grant - AODPS	93.992	H702536	86,266	-
Alcohol & Drug Abuse/Mental Health Services Block Grant - General Relief	93.992	H700118	27,289	-
AIDS HIV Early Intervention	93.914	H209212	1,980,252	-
Bio-Terrorism	93.069	H-701584	309,834	-
<i>Total Passed through County of Los Angeles</i>			<u>2,403,641</u>	<u>-</u>
Total Department of Health and Human Services			<u>3,219,663</u>	<u>-</u>

\* Denotes a Major Program

N/A indicates that information is not available

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

**CITY OF PASADENA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2013**

	Federal Domestic Assistance Number		Program Identification Number	Program Expenditures	Amount Provided to Sub- Recipients
<u>Department of Housing and Urban Development</u>					
<i>Direct Programs</i>					
Community Development Block Grant Entitlement	14.218	*	N/A	1,421,272	309,154
Section 108 Loan - Fair Grove Shopping Center	14.248		N/A	359,711	-
Community Development Block Grant - ARRA	14.253	*	N/A	170,124	170,124
Homeless Prevention Rapid Re-Housing Program - ARRA	14.257		N/A	18,968	18,968
Section 8 Low Income Housing - Voucher Program	14.871	*	N/A	13,172,265	-
HOME - Investment in Affordable Housing	14.239		N/A	1,370,948	-
Shelter Plus Care	14.238		N/A	789,588	742,729
Emergency Shelter Grant Program	14.231		N/A	207,831	204,201
Supportive Housing	14.235	*	N/A	1,025,178	884,911
<i>Total Direct Programs</i>				<u>18,535,885</u>	<u>2,330,087</u>
<i>Passed through the City of Los Angeles</i>					
Home Opportunities for Persons with AIDS	14.241		C98522	27,759	-
<i>Total Passed through the City of Los Angeles</i>				<u>27,759</u>	<u>-</u>
<b>Total Department of Housing and Urban Development</b>				<u>18,563,644</u>	<u>2,330,087</u>
<u>Department of Agriculture</u>					
<i>Direct Program</i>					
Food Inspection Tablet Program	93.103		N/A	12,023	-
<i>Total Direct Program</i>				<u>12,023</u>	<u>-</u>
<i>Passed through the State of California Department of Agriculture</i>					
Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	*	05-45781	1,047,119	-
<i>Total Passed through the State of California Department of Agriculture</i>				<u>1,047,119</u>	<u>-</u>
<b>Total Department of Agriculture</b>				<u>1,059,142</u>	<u>-</u>
<u>Department of Homeland Security</u>					
<i>Direct Program</i>					
FEMA/Grants Programs	97.044		EMW-2011-FO-06950	83,416	-
<i>Total Direct Program</i>				<u>83,416</u>	<u>-</u>
<i>Passed through the County of Los Angeles</i>					
FY 2009 State Homeland Security Grant Program	97.005		2009-0019, OES#37-00000	347,474	-
FY 2010 State Homeland Security Grant Program	97.005		2010-0019, OES#37-00000	551,196	-
FY 2011 State Homeland Security Grant Program	97.005		2011-0019, OES#37-00000	49,744	-
<i>Total Passed through the County of Los Angeles</i>				<u>948,414</u>	<u>-</u>
<i>Passed through the City of Los Angeles</i>					
FY 2009 Urban Areas Security Initiative	97.067		2009-0019, OES#37-95050	138,978	-
FY 2010 Urban Areas Security Initiative	97.067		2010-0019, OES#37-95050	358,782	-
FY 2011 Urban Areas Security Initiative	97.067		2011-0019, OES#37-95050	46,022	-
<i>Total Passed through the City of Los Angeles</i>				<u>543,782</u>	<u>-</u>
<b>Total Department of Homeland Security</b>				<u>1,575,612</u>	<u>-</u>
<u>Department of Transportation</u>					
<i>Passed through the State of California Department of Transportation</i>					
La Loma Bridge	20.205		HP21L-5064-(020)	419,350	-
Civic Center Mid-Town Public Improvements	20.500		RPSTPLE-5064(048)	181,831	-
East Colorado Blvd. Specific Plan	20.205		CML-5064(067)	55,629	-
Route 210 Freeway Soundwalls	20.205		HPLU-5064(058)	206,094	-
Preventative Maintenance Asphalt 2011-2015	20.205		RPSTPLE-5064(070)	93,385	-
Imprv Alley/Concr St 2011-2015	20.205		SRTSL-5064(071)	45,000	-
Pedestrian Safety Enhance@SI	20.205		HSIPL5064-(074)	41,349	-
LTSignal Phs Colo/OraGrv/Holly	20.205		HSIPL5064-(076)	12,716	-
TS Improve at Pas Ave/Walnut	20.205		HSIPL5064-(075)	29,910	-
Selective Traffic Enforcement Program	20.600		20253	154,661	-
UCB Sobriety Checkpoint Grant	20.600		SC12310	144,111	-
Safe Routes to School	20.205		SRTSLNI-5064(069)	14,655	-
Reconstruction of Eastside-Neighborhood and JPL Connector Trail	20.219		N/A	340	-
Lower Arroyo Trail Restoration	20.219		N/A	42,797	-
Sunset Overlook Trailhead Arena	20.219		N/A	131,695	-
Transit Planning Student Internship	20.505		145.SCF02025.01	11,784	-
<i>Total Passed through the State of California Department of Transportation</i>				<u>1,585,307</u>	<u>-</u>
<b>Total Department of Transportation</b>				<u>1,585,307</u>	<u>-</u>

\* Denotes a Major Program

N/A indicates that information is not available

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

**CITY OF PASADENA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
YEAR ENDED JUNE 30, 2013**

	Federal Domestic Assistance Number		Program Identification Number	Program Expenditures	Amount Provided to Sub- Recipients
<u>Department of Energy</u>					
<i>Direct Programs</i>					
Repair/Replace Existing Street Light System - ARRA	81.128	*	09-SC004851	48,787	-
Repair/Replace Existing Street Light System - ARRA	81.128	*	09-SC004851	127,811	-
<i>Total Direct Programs</i>				176,598	-
Total Department of Energy				176,598	-
<u>Department of Justice</u>					
<i>Direct Programs</i>					
Asset Forfeiture	16.000		CA0195300	394,323	-
Edward Byrne Memorial Justice Assistance Grant	16.738		2011-DJ-BX-1103	42,392	-
<i>Total Direct Programs</i>				436,715	-
<i>Indirect Programs - Passed through the City of Los Angeles</i>					
City of Los Angeles Recovery Act Justice Assistance Grant Project Award - ARRA	16.804		2009-SB-B9-2024	25,105	-
<i>Total Indirect Programs - Passed through the City of Los Angeles</i>				25,105	-
Total Department of Justice				461,820	-
<u>Department of Treasury</u>					
<i>Direct Programs</i>					
Asset Forfeiture	21.000		CA0195300	144,822	-
<i>Total Direct Programs</i>				144,822	-
Total Department of Treasury				144,822	-
<u>U.S. Small Business Administration</u>					
<i>Direct Programs</i>					
Small Business Administration Congressional Grant	59.059		SBAHQ-10-I-0270	16,220	-
<i>Total Direct Programs</i>				16,220	-
Total U.S. Small Business Administration				16,220	-
<b>TOTAL FEDERAL ASSISTANCE PROGRAMS</b>				<b>\$ 30,016,398</b>	<b>\$ 2,498,420</b>

\* Denotes a Major Program

N/A indicates that information is not available

**CITY OF PASADENA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

**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 the programs of federal agencies providing financial assistance. For the purposes of the schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received directly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported on 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.

C. Sub-recipients

During the fiscal year ended June 30, 2013, the City disbursed \$2,498,420 to sub-recipients to be used for the federally allowable expenditures in accordance with grant agreements.

**NOTE 2 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following is a reconciliation between the Schedule of Expenditures of Federal Awards to Operating Grants and Contributions and Capital Grants and Contributions as presented in the City’s Comprehensive Annual Financial Report:

Operating Grants and Contributions	\$ 37,234,620	
Capital Grants and Contributions	<u>22,872,873</u>	
Total Grants and Contributions from Governmental Activities per the City's Comprehensive Annual Financial Report		\$ 60,107,493
Adjustments:		
Net increase in deferred revenues between fiscal year 2012 and fiscal year 2013 due to changes in eligibility		1,527,160
Net unbilled expenses due to timing differences		(162,925)
Grants from the State of California and other entities recorded as Operating and Capital Grants and Contributions in accordance with accounting principles generally accepted in the United States of America (GAAP)		32,033,281
Non-grant amounts received from the Federal Emergency Management Agency		674,912
Miscellaneous program income and other adjustments		(751,543)
Workforce Investment Act amounts reported in agency funds		<u>(3,229,790)</u>
Net Adjustments between the Schedule of Expenditures of Federal Awards and Grant Contributions		<u>30,091,095</u>
Total Expenditures of Federal Awards		<u>\$ 30,016,398</u>

**NOTE 3 – CLUSTER INFORMATION**

Presented in this note are only grants that are clustered under Part 5 of the *Compliance Supplement* to OMB Circular A-133, and all grants are not presented.

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<b>Community Development Block Grants (CDBG) - Entitlement Grants Cluster</b>		
<i>Direct Programs</i>		
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,421,272
14.253	Community Development Block Grants ARRA Entitlement Grants (CDBG-R) - (Recovery Act Funded)	<u>170,124</u>
Total CDBG - Entitlement Grants Cluster		<u>\$ 1,591,396</u>
<b>Housing Voucher Cluster</b>		
<i>Direct Programs</i>		
14.871	Section 8 Housing Choice Vouchers	<u>\$ 13,172,265</u>
Total Housing Voucher Cluster		<u>\$ 13,172,265</u>

**NOTE 3 – CLUSTER INFORMATION** (Continued)

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<b>Justice Assistance Grant (JAG) Program Cluster</b>		
<i>Direct Programs</i>		
16.738	Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government <i>Passed Through the City of Los Angeles</i>	\$ 42,392
16.804	City of Los Angeles Recovery Act Justice Assistance Grant Project Award - ARRA	<u>25,105</u>
Total JAG Program Cluster		<u><u>\$ 67,497</u></u>
<b>Employment Service Cluster</b>		
<i>Passed Through the State of California Economic Development Department</i>		
17.207	Employment Service	<u>\$ 198,848</u>
Total Employment Service Cluster		<u><u>\$ 198,848</u></u>
<b>Workforce Investment Act (WIA) Cluster</b>		
<i>Passed Through the State of California Employment Development Department</i>		
17.258	Workforce Investment Act - Adult	\$ 703,907
17.259	Workforce Investment Act - Youth	860,090
17.278	Workforce Investment Act - Dislocated Worker	704,253
17.278	Workforce Investment Act - Rapid Response	246,331
17.258	Workforce Investment Act - New Start 15% DW Aug	53,937
17.278	Workforce Investment Act - National Emergency Grant	206,140
<i>Passed Through the County of Los Angeles</i>		
17.259	Workforce Investment Act - County Youth	33,082
<i>Passed Through the City of Inglewood</i>		
17.278	Workforce Investment Act - CA Multi-sector Partnership 25%	31,162
<i>Passed Through the City of Hawthorne</i>		
17.277	Workforce Investment Act - National Emergency Grant	<u>175,820</u>
Total WIA Cluster		<u><u>\$ 3,014,722</u></u>
<b>Highway Planning and Construction Cluster</b>		
<i>Passed Through the State of California Department of Transportation</i>		
20.205	La Loma Bridge	\$ 419,350
20.205	East Colorado Blvd. Specific Plan	55,629
20.205	Route 210 Freeway Soundwalls	206,094
20.205	Preventive Maintenance - Asphalt St-2011-2015	93,385
20.205	Imprv Alley/Concr St 2011-2015	45,000
20.205	Pedestrian Safety Enhance@SI	41,349
20.205	LTSignal Phs Colo/OraGrv/Holly	12,716
20.205	TS Improve at Pas Ave/Walnut	29,910
20.205	Safe Routes to School	14,655
		Reconstruction of Eastside-Neighborhood & JPL Connector
20.219	Trail	340
20.219	Lower Arroyo Trail Restoration	42,797
20.219	Sunset Overlook Trail Arena	<u>131,695</u>
Total Highway Planning and Construction Cluster		<u><u>\$ 1,092,920</u></u>

**NOTE 3 – CLUSTER INFORMATION** (Continued)

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<b>Federal Transit Cluster</b>		
<i>Passed Through the State of California Department of Transportation</i>		
20.500	Civic Center Mid-Town Public Improvements	\$ 181,831
Total Federal Transit Cluster		<u>\$ 181,831</u>
<b>Highway Safety Cluster</b>		
<i>Passed Through the State of California Department of Transportation</i>		
20.600	Selective Traffic Enforcement Program	\$ 154,661
20.600	UCB Sobriety Checkpoint Grant	144,111
Total Highway Safety Cluster		<u>\$ 298,772</u>
<b>Medicaid Cluster</b>		
<i>Passed Through the State of California Department of Health Service</i>		
93.778	Child Health and Disability Prevention Program - Gateway	\$ 190,595
93.778	Medi-Cal Administrative Claiming	69,620
Total Medicaid Cluster		<u>\$ 260,215</u>

**NOTE 4 – LOAN OUTSTANDING**

At June 30, 2013, an outstanding loan under the U.S. Department of Housing and Urban Development – Section 108 program was \$350,000. Amounts expended under the U.S. Department of Housing and Urban Development – Community Development Block Grant program were \$359,711 for fiscal year 2013. Amounts expended from the loan proceeds are reflected in the accompanying Schedule of Expenditures of Federal Awards.

**NOTE 5 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated as of November 27, 2013, the date when the single audit report was issued and there are no subsequent events requiring disclosure.

**CITY OF PASADENA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

A. Summary of Auditor's Results

**A. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified  
not considered to be a material weakness?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified  
not considered to be a material weakness?  
(See items 13-01 through 13-03)  Yes  No

Type of auditor's report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with OMB Circular A-133, Section  
.510(a)?

Yes  No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.218, 14.253	CDBG - Entitlement Grants
14.235	Supportive Housing Program
14.871	Housing Voucher Cluster
81.128	Energy Efficiency and Conservation Block Grant
93.914	AIDS HIV Early Intervention

Dollar threshold used to distinguish between Type A and  
Type B programs

\$ 900,492

Auditee qualified as low-risk auditee?

Yes  No

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

C. Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

13-01 – Supportive Housing – CFDA #14.235

Federal Agency's Name: Department of Housing and Urban Development (HUD)

Passed-Through Entity's Name: N/A

Questioned Costs: None

Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The March 2013 OMB Circular A-133 *Compliance Supplement* states that the HUD-40118 Annual Progress Report (OMB No. 2506-0145) is due from each grantee 90 days after the end of each operating year. The United States Department of Housing and Urban Development (HUD) Grantee Monitoring Handbook, Chapter 2 also stipulates that this report is due 90 days after the end of the operating year(24 CFR 583.400(b)).

Finding

During our review of the Annual Progress Reports, we noted that the sub-recipients were not submitting their reports within the required 90 days after the end of the operating year. This condition existed with three of the five Annual Progress Reports that we reviewed.

Recommendation

We suggest that the Annual Progress Reports submission should be properly monitored and reports to be timely submitted to adhere to the compliance requirements.

Management's Comments Regarding Corrective Actions Planned

The City agrees with this finding. The Annual Progress Reports (APRs) have been submitted past due date owing to challenges that providers have had in synchronizing HMIS data with required APR data elements. This has been primarily a training issue. Staff have been working with providers and provided technical assistance. Moving forward, the first draft APRs will be required to be submitted to the City within two (2) weeks of program year end to ensure that all issues will be resolved prior to the APR due date.

13-02 – Community Development Block Grant – CFDA # 14.218 and CFDA #14.253

Federal Agency's Name: Department of Housing and Urban Development (HUD)

Passed-Through Entity's Name: N/A

Questioned Costs: None

Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The March 2013 OMB Circular A-133 *Compliance Supplement* states that HUD 60002 Section 3 reports are to be submitted annually. Additionally, Consolidated Annual Performance and Evaluation Report (CAPER) is required to be submitted within 90 days at the end of the Program year and is required to contain the C04PR03 report in addition to the C04PR26 report.

### Finding

During our review of 2013 CDBG program no evidence of submission of the HUD 60002 Section 3 report was provided. Additionally, the CAPER was submitted late and did not include all the required components.

### Recommendation

We suggest that the CDBG program to be properly monitored for complete and timely submission of the required reports to adhere to the compliance requirements.

### Management's Comments Regarding Corrective Actions Planned

The City agrees with this finding. To supplement staff capacity, the Housing Department has retained additional consultant services to work with management to develop and implement a monitoring schedule to ensure that required reports are submitted in compliance with requirements.

### 13-03 – Community Development Block Grant – CFDA # 14.218 and CFDA #14.253

Federal Agency's Name: Department of Housing and Urban Development (HUD)

Passed-Through Entity's Name: N/A

Questioned Costs: None

### Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for sub-recipient monitoring state that the pass-through entity is responsible for monitoring the sub-recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Per review of the City's guidelines, all sub-recipients are monitored on an annual basis.

### Finding

During our review of programmatic sub-recipients monitoring for CDBG programs, out of four sub-recipients that we reviewed no evidence of monitoring was provided for two of them.

### Recommendation

We suggest that programmatic sub-recipients monitoring to be done and documented on a regular basis for ensuring all appropriate monitoring procedures are performed to adhere to the compliance requirements.

### Management's Comments Regarding Corrective Actions Planned

The City agrees with this finding. To supplement staff capacity, the Housing Department has retained additional consultant services to work with management to develop and implement sub-recipient monitoring procedures and a schedule to ensure that required monitoring is performed in compliance with requirements.

**CITY OF PASADENA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013**

The following is the status of prior audit findings:

12-01 – Accounts Payable

During our testing of unrecorded liabilities, we selected a sample of forty (40) material cash disbursements that occurred subsequent to fiscal year-end and reviewed support to ensure that they were accrued in accordance with accounting requirements. The results of our testing showed the following:

- One (1) of the forty (40) disbursements was not adequately accrued. The total of the disbursement totaled \$97,424.30.
- One (1) of the forty (40) disbursements lacked sufficient support. The total of the disbursement totaled \$155,925.

Recommendation

We recommend that the City's Accounts Payable Division (AP) enter the activity periods for each invoice received into the City's accounting software, PeopleSoft. This provides the Finance Department the ability to do query searches based on activity date to assist in its determination of accounts payable completeness and accuracy. In addition, we recommend that the Accounts Payable Division actively seek to maintain complete records of its transactions.

Management's Comments Regarding Corrective Actions Planned

In conjunction with the Accounting Division, Accounts Payable establishes a cut-off date to receive and process invoices from the previous fiscal year. The AP staff works diligently with departments to make sure that invoices are submitted in timely. Going forward, amendments have been made to the Accounts Payable end-of-year process in order to more effectively capture all accruable expenses. Accounts Payable has taken steps to extend the initial accrual cut-off date as well as provide for a longer accrual period following the initial cut-off date. Also, with the implementation of AvidXchange, the City's new electronic invoice routing system, AP staff will be able to track invoices more efficiently.

Specifically, in reference to the \$155,925 disbursement, which was a reimbursement to the Pasadena Unified Court for state mandated fees collected by the City of Pasadena, the documentation provided for these types of transactions furnish a breakdown of the number of citations and the amounts collected for various penalties. This court payment breakdown document is signed by the Municipal Services supervisor and countersigned by the City Treasurer. For future payment requests, Accounts Payable has requested the Treasury division to submit the corresponding report that is generated from the parking system as back-up documentation to be attached to its request for payment. Accounts Payable will continue to require sufficient back-up documentation from departments for all invoices and other payment request.

With respect to the auditor's recommendation to enter the activity periods for each invoice received into the City's accounting software, this function is currently not available in PeopleSoft. The City is presently soliciting proposals to engage a new ERP system citywide. Accounts Payable will explore the options to accomplish the purpose of the auditor's recommendation in the course of implementing the new accounting system.

Current Year Status

Item completed. The City has extended the initial cut-off periods used to accrue expensed into the correct fiscal year. Accounts Payable continues to work diligently to verify that all invoices meet the requirements of the City's approval process and are accrued to the correct accounting period.

## 12-02 – Personnel File Requirements

To test the City's controls over payroll, we selected a sample of forty (40) City employees. During our analysis, we noted four (4) out of forty (40) employees selected for testing did not have documents validating information on their I-9 forms.

Reform and Control Act of 1986 (IRCA) requires that all employers verify the employment eligibility and identity of all employees hired to work in the United States after November 6, 1986. Compliance with IRCA is documented through the completion and maintenance of Employment Eligibility Form I-9.

### Recommendation

While new Personnel File Requirements have been developed over time and firmly implemented within the past four years (per discussion with Human Resources Manager), there are no monitoring procedures within the Human Resources Department for personnel files that have missing requirements. To ensure federal compliance of the IRCA, we suggest that the City actively seek to maintain complete records for each City employee. We suggest that monitoring procedures be developed and implemented which will periodically review personnel files for missing required documents (Form I-9 and copies of the supporting documents).

### Management's Comments Regarding Corrective Actions Planned

The City agrees with the recommendation and will implement it.

### Current Year Status

The City believes this item has been completed.

With regard to I-9 completion and retention, the Human Resources Department has improved our quality control in recent years. The I-9 form is part of the new hire onboarding process before an employee can begin working for the City of Pasadena, and a trained Human Resources staff person assists with completion of the form and verifies the validating documentation. Based on the prior audit, we also modified our retention methods and initiated a process to ensure compliance for longer-term employees. All I-9 forms were removed from employee personnel files and were compiled in a central location in the Human Resources Department. A review of each current employee's I-9 form and supporting documentation was conducted, and those with missing information were contacted and asked to bring appropriate documentation to Human Resources. We believed this brought us into 100% compliance, but it appears that one long-term employee was overlooked.

In response, we will undertake another comprehensive audit of I-9 forms for all current City of Pasadena employees to ensure that the form is complete and the copies of the supporting documentation are present.

## 12-03 – AIDS HIV Early Intervention – CFDA #93.915

Federal Agency's Name: Department of Health and Human Services

Passed-Through Entity's Name: County of Los Angeles

Questioned Costs: None

### Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The County of Los Angeles Public Health, Pass-through Agency, requires verification of the client's Los Angeles County residency and income shall be conducted on an annual basis. These requirements include the maintenance of documentation necessary to support eligibility re-determinations.

### Finding

To test the controls over eligibility determination, we selected a sample of forty (40) case files at the City's Public Health Department. During our review, we noted that:

- Thirteen (13) case files did not have eligibility screening re-determinations completed in the required timely manner.
- Sixteen (16) case files did not contain support for the eligibility screening re-determination to show that eligibility determination was completed in the required timely manner.

### Recommendation

We suggest that the City strengthen its eligibility determination procedures and take steps to ensure that proper documentation is kept for it in the case file.

### Management's Comments Regarding Corrective Actions Planned

The City is taking additional steps to ensure that the files are adequately maintained to support eligibility requirements. These steps include:

1. The Front Office Staff, which are the case managers for every AIDS client, will be required to complete the eligibility screening and obtain copies of the required documents for every case (file) assigned to them.
2. The Program Director or Intake Specialist is required to complete an AIDS File Review once eligibility screening is completed by Front Office Staff.
3. The Front Office Staff will check for annual eligibility screenings prior to the receipt of any services.

### Current Year Status

Items completed. The Health Department created a registration packet for all clients. Within these packets are requested items that help determine eligibility. These registration packets are filed into the patient chart. Before the client can see a provider, the medical assistant reviews the chart to determine whether the client has been verified for eligibility or not.

### 12-04 – Supportive Housing – CFDA #14.235

Federal Agency's Name: Department of Housing and Urban Development (HUD)

Passed-Through Entity's Name: N/A

Questioned Costs: None

### Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The June 2012 OMB Circular A-133 *Compliance Supplement* states HUD may provide grants to pay for a portion of the actual operating costs of supportive housing. Assistance for operating costs is available for up to 75% of the total costs in each year of the grant. The non-Federal entity (sub-recipient) must pay with its own funds the percentage of the actual operating costs not funded by HUD. At the end of each operating year, the non-Federal entity must demonstrate that it has met its share of the costs for that year (24 CFR Section 583.125). Beginning with 1999 grants, all funding for supportive services must be matched by 25% funding from non-Federal entity (Pub. L. No. 105-276).

### Finding

During our review of the "cash match" reports, we noted that sub-recipients were not matching the 25% match requirement.

### Recommendation

We suggest that the required matching from the sub-recipients for the support services funding should be properly implemented to adhere to the compliance requirements.

### Management's Comments Regarding Corrective Actions Planned

Sub-recipients matching for the support services funding has been properly implemented in the monthly match report in fiscal year 2012-13.

### Current Year Status

This item is completed. The corrective actions planned have been implemented, bringing us into compliance.

### 12-05 – Community Development Block Grant – CFDA #14.218

Federal Agency's Name: Department of Housing and Urban Development

Passed-Through Entity's Name: N/A

Questioned Costs: None

### Criteria/Specific Requirement Including Statutory Regulation/Citation for the Finding

The June 2012 OMB Circular A-133 *Compliance Supplement* requirements for sub-recipient states that the pass-through entity is responsible for monitoring the sub-recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. It requires the follow-up to ensure corrective action is taken for the noted deficiencies.

### Finding

During our review of the sub-recipient monitoring, we noted the City did not follow up with findings issued for corrective action. The City risks noncompliance with sub-recipient requirements as set forth in accordance with U.S. Department of Housing and Urban Development guidelines (specifically the Community Program Development Grantee Monitoring Handbook, Chapter 2 as well as 24, CFR 570 et seq.).

### Recommendation

We suggest that the required matching from the sub-recipients for the support services funding should be properly implemented to adhere to the compliance requirements.

### Management's Comments Regarding Corrective Actions Planned

The corrective action was requested as necessary from sub-recipient. The City will develop a checklist or log to document the issues and resolutions resulting from the monitoring.

### Current Year Status

This item is completed. The corrective actions planned have been implemented, bringing us into compliance.