

City of Gardena

Gardena, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2023



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

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

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Gardena
Gardena, 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 Gardena, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

To the Honorable Mayor and the Members of City Council
of the City of Gardena
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 communication is not suitable for any other purpose.

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

Santa Ana, California
December 7, 2023



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gardena, California's (the "City") compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the 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 ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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 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.

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

To the Honorable Mayor and the Members of City Council
of the City of Gardena
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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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 7, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The PwC Group, LLP

Santa Ana, California

March 26, 2024, except for the Schedule of Expenditures of Federal Awards, which is as of December 7, 2023.

City of Gardena
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
<i>CDBG - Entitlement Grants Cluster</i>				
<i>Direct Program:</i>				
COVID-19 Community Development Block Grants / Entitlement Grants - CARES Act	14.218	B-20-MW-06-0577	\$ 33,444	\$ -
Total CDBG - Entitlement Grants Cluster			33,444	-
Total U.S. Department of Housing and Urban Development			33,444	-
U.S. Department of Justice				
<i>Direct Program:</i>				
Equitable Sharing Program	16.922	CA0192400	13,712	-
Bulletproof Vest Partnership Program	16.607		10,212	-
Total U.S. Department of Justice			23,924	-
U.S. Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
<i>Pass-through the State of California Office of Traffic Safety:</i>				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STPL-5276(032)	600,000	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	HSIPL-5276(033)	4,948	-
Total Highway Planning and Construction			604,948	-
<i>Federal Transit Cluster</i>				
<i>Direct Programs:</i>				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-128-00	1,091,776	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-092-00	3,581	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-241-00	184,816	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-090-00	1,558,000	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-209-00	2,542,000	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-129-00	1,500	-
Total Federal Transit - Formula Grants (Urbanized Area Formula Program)			5,381,673	-
<i>Highway Safety Cluster</i>				
<i>Pass-through the State of California Office of Traffic Safety:</i>				
State and Community Highway Safety	20.600	PT22177	9,449	-
State and Community Highway Safety	20.600	PT23035	19,301	-
Total Highway Safety Cluster			28,750	-
<i>Pass-through the State of California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22177	34,226	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23035	47,923	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			82,149	-
Total U.S. Department of Transportation			6,097,520	-
U.S. Treasury				
<i>Pass-through the State of California Department of Finance:</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027		969,295	-
Total U.S. Treasury			969,295	-

(Continued)

City of Gardena
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
<i>Pass-through the County of Los Angeles:</i>				
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	ENP202105	891	-
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SSP192003	60,290	-
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ENP202105	402,720	-
Nutrition Services Incentive Program	93.053	ENP202105	40,028	-
Total Aging Cluster			503,929	-
U.S. Department of Health and Human Services				
<i>CCDF Cluster</i>				
<i>Pass-through the State of California Department of Education:</i>				
Childcare and Development Block Grant	93.575	CCTR-2085	1,069,923	-
Childcare Mandatory and Matching Funds of the Childcare and Development Fund	93.596	CCTR-2085	426,009	-
Total CCDF Cluster			1,495,932	-
Total U.S. Department of Health and Human Services			1,999,861	-
U.S. Department of Homeland Security				
<i>Pass-through the State of California Governor's Office of Emergency Services:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4482DR	28,811	-
Total U.S. Department of Homeland Security			28,811	-
Total Expenditures of Federal Awards			\$9,152,855	\$ -

(Concluded)

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

Note 1 – Reporting Entity

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

The City Council acts as the governing body and is able to impose its will on the following organization, establishing financial accountability:

- City of Gardena Public Financing Authority

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

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

Schedule of Expenditures of Federal Awards

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

Indirect Cost Rate

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

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

Assistance Listing Numbers	Name of Major Program or Cluster	Federal Expenditures
20.205	Highway Planning and Construction (Federal-Aid Highway Program)	\$ 604,948
20.507	Federal Transit - Formula Grants	5,381,673
21.027	Coronavirus State and Local Fiscal Recovery Funds	969,295
	Total Expenditures of All Major Federal Programs	\$ 6,955,916
	Total Expenditures of Federal Awards	\$ 9,152,855
	Percent of Total Expenditures of Federal Awards	76.00%

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

Auditee qualified as a low-risk auditee in accordance with 2 CFR 200.520? **Yes**

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement

No current year findings were reported.

B. Prior Year Findings – Financial Statement

No current year findings were reported.

Section III – Federal Award Findings and Questioned Costs

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

No current year findings were reported.

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

Finding: 2022-001 Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants / Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577/B-20-MW-06-0577

Condition:

During our audit, we noted that the City charged the payroll related expenditures to the program based on the City Council approved budget and payroll allocation percentage; however, there was no further justification of actual activities performed by the City staff during the year to the budgeted allocation.

Recommendation:

We recommended the City incorporate the Uniform Guidance requirements into its existing policies and procedures to ensure the City is in compliance with the Uniform Guidance.

Status:

Finding was resolved during the year ended June 30, 2023.

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

Finding: 2022-002 Cash Management – Internal Control and Compliance over Drawdown Requests

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants / Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577 / B-20-MW-06-0577

Condition:

During our audit, we noted that the Community Development Block Grants / Entitlement Grants drawdown requests were not performed timely.

- July 2021 through May 2022 related expenditures drawdown request was requested on June 9, 2022
- June 2022 related expenditures drawdown request was requested on January 31, 2023.

<u>Quarterly (End Date)</u>	<u>Reimbursement Deadlines</u>	<u>Requested Date</u>
September 30, 2021	November 30, 2021	June 9, 2022
December 31, 2021	February 28, 2022	June 9, 2022
March 31, 2022	May 30, 2022	June 9, 2022
June 30, 2022	After year-end accrual	January 31, 2023

Recommendation:

We recommended the City follow its grant management policies to ensure drawdown requests and close outs are submitted and prepared timely.

Status:

Finding was resolved during the year ended June 30, 2023.

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

Finding: 2022-003 Cash Management – Internal Control and Compliance over Reimbursement Requests and Close Outs

Identification of the Federal Program:

Assistance Listing Numbers:	16.034/16.738
Assistance Listing Title:	Coronavirus Emergency Supplemental Funding Edward Byrne Memorial Justice Assistance Grant Program
Federal Agency:	U.S. Department of Justice
Pass-Through Entity:	N/A
Federal Award Identification Number:	2020-VD-BX-1207 / 2019-DJ-BX-0160 / 2020-DJ-BX-0486

Condition:

During our audit, we noted that the reimbursement requests for programs - Coronavirus Emergency Supplemental Funding and Edward Byrne Memorial Justice Assistance Grant Program were not requested from the Department of Justice and the old grant closeout was not closed out accordingly.

Recommendation:

We recommended the City follow its grant management policies to ensure reimbursement requests and close outs are submitted and prepared timely.

Status:

Finding was resolved during the year ended June 30, 2023.

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

Finding: 2022-004 Reporting – Internal Control and Compliance over Reporting

Identification of the Federal Program:

Assistance Listing Number:	14.218
Assistance Listing Title:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Identification Number:	B-21-MC-06-0577 / B-20-MW-06-0577

Condition:

During the audit, we noticed that the City did not prepare the Annual Action Plan within the timeframe to meet its grant management policy.

- FY2021-2022 Annual Action Plan was adopted on August 10, 2021 (not before May 15, 2021)
- FY2022-2023 Annual Action Plan was adopted on August 9, 2022 (not before May 15, 2022)

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

Reporting Period (End Date)	Grantee Submission Deadlines	Filed Date
September 30, 2021	October 30, 2021	March 6, 2023
December 31, 2021	January 30, 2022	March 6, 2023
March 31, 2022	April 30, 2022	July 28, 2022
June 30, 2022	July 30, 2022	July 28, 2022

During the audit, we noticed that the PR26 and the CAPER was not filed as of March 22, 2023.

Recommendation:

We recommended the City follow its grant management policies to ensure the reporting requirements are met.

Status:

Finding was resolved during the year ended June 30, 2023.

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