

CITY OF ESCONDIDO, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
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*

Honorable Mayor and
Members of the City Council
of the City of Escondido
Escondido, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Escondido, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Escondido's basic financial statements, and have issued our report thereon dated February 12, 2025.

Our report includes a reference to another auditor who audited the financial statements of California Center for the Arts, Escondido Foundation, which represents 100 percent of assets, net position and revenues of the discretely presented component unit as of and for the year ended June 30, 2024, as described in our report on the City of Escondido's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by the other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Escondido'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 City of Escondido's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Escondido'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.

Honorable Mayor and
Members of the City Council
of the City of Escondido

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

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Escondido'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*.

City of Escondido's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Escondido's response to the findings identified in our audit and described in the accompanying schedules of findings and questioned costs. City of Escondido'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Irvine, California
February 12, 2025



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
of the City of Escondido
Escondido, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Escondido's (the City) 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 auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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 (GAAS); 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 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.

Honorable Mayor and
Members of the City Council
of the City of Escondido

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.

Honorable Mayor and
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of the City of Escondido

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 above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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 have issued our report thereon, dated February 12, 2025, 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 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 basic 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.



CliftonLarsonAllen LLP

Irvine, California
March 25, 2025

**CITY OF ESCONDIDO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/Program/Cluster Title/Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 1,278,187	\$ 218,088
COVID-19 - Community Development Block Grant	14.218	N/A	52,335	-
Subtotal Community Development Block Grants - Entitlement Grants Cluster			1,330,522	218,088
COVID-19 - Emergency Solutions Grant Program	14.231	N/A	82,735	22,942
Home Investment Partnerships Program	14.239	N/A	472,815	376,991
Total U.S. Department of Housing and Urban Development			1,886,072	618,021
U.S. Department of Justice				
Direct Assistance:				
Fugitive Task Force	16.U02	N/A	24,844	-
Electronic Crimes Task Force	16.U03	N/A	799	-
Org Crime Drug Eng Task Force	16.U05	N/A	13,870	-
Internet Crimes against Children	16.U06	N/A	2,478	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10,549	-
Edward Byrne Memorial Competitive Grant Program	16.751	N/A	20,459	-
Passed-through the California Governor's Office of Emergency Services:				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ21028638	52,446	-
Total U.S. Department of Justice			125,445	-
U.S. Department of Transportation				
Passed-Through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	ATPLN1-5081(023)	643,272	-
Passed-Through the State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT23109	87,888	-
State and Community Highway Safety	20.600	PT23109	319,641	-
State and Community Highway Safety	20.600	PS23013	3,634	-
State and Community Highway Safety	20.600	PS23013	14,830	-
Subtotal State and Community Highway Safety			425,993	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21115	90	-
Total U.S. Department of Transportation			1,069,355	-
U.S. Department of Treasury				
Direct Assistance:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	SLT-0733	9,779,182	-
Total U.S. Department of Treasury			9,779,182	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF ESCONDIDO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program/Cluster Title/Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Health and Human Services				
Passed-through the County of San Diego Health and Human Services Agency:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2001CAOASS-00	\$ 67,928	\$ -
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2001CAOACM-00/2001CAOAH-00	159,114	-
Nutrition Services Incentive Program	93.053	2001CAOANS-00	17,993	-
Total U.S. Department of Health and Human Services			245,035	-
U.S. Department of Homeland Security				
Direct Assistance:				
2021 Assistance to Firefighters Grant Program	97.044	N/A	29,727	-
2022 Assistance to Firefighters Grant Program	97.044	N/A	104,992	-
Subtotal Assistance to Firefighters Grant Program			134,719	-
Passed-Through the County of San Diego Office of Emergency Services:				
2020 Homeland Security Grant Program	97.067	2020-0095	8,571	-
2021 Homeland Security Grant Program	97.067	2021-0081	91,994	-
2022 Homeland Security Grant Program	97.067	2022-0043	52,676	-
Subtotal County of San Diego Office of Emergency Services Grants			153,241	-
Passed-Through the City of San Diego Office of Homeland Security:				
2021 Homeland Security Grant Program	97.067	2021-0081	38,300	-
2022 Homeland Security Grant Program	97.067	2022-0043	20,884	-
Subtotal City of San Diego Office of Homeland Security Grants			59,184	-
Passed-Through the City of San Diego Sheriff's Department:				
2022 Homeland Security Grant Program	97.067	2021-0081	10,000	-
Subtotal Homeland Security Grant Program			222,425	-
Total U.S. Department of Homeland Security			357,144	-
Total Expenditures of Federal Awards			\$ 13,462,233	\$ 618,021

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF ESCONDIDO, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) include the federal award activities of the City of Escondido, California (the City), under programs of the federal government, as well as federal financial assistance passed through other government agencies for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the 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). Because the Schedule present only a selected portion of the operations of the City, they are not intended to, and do not, present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are identified where available.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 CONTINGENCIES

Under the terms of federal grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**CITY OF ESCONDIDO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

20.205
21.027

Name of Federal Program or Cluster

Highway Planning and Construction
COVID-19 Coronavirus State and Local Fiscal
Recovery Funds

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

\$ 750,000

Auditee qualified as low risk auditee?

 yes x no

**CITY OF ESCONDIDO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024-001

Type of Finding: Material Weakness

Condition: During our testing surrounding cut-off of liability accruals and related expenditures, we noted a capital project invoice with a service period of July 2024 that was incorrectly accrued as of June 30, 2024, and an invoice with a service period of June 2024 that was not correctly accrued as of June 30, 2024. Additionally, construction related project retentions payable as of June 30, 2024, were not appropriately accrued.

Criteria or specific requirement: Under generally accepted accounting principles (GAAP), accrual accounting requires recognizing expenditures in the period they are incurred.

Effect: Accrued liabilities and related expenditures were misstated.

Cause: For the July 2024 invoice, the City processed the invoice against the purchase order with a June 30, 2024 date. The June 2024 invoice was not accrued because the invoice was received late. Lastly, the City did not reconcile their general ledger to cumulative retainage amounts per June 2024 project invoices.

Repeat Finding: No.

Recommendation: We recommend that the City review their current cutoff procedures to ensure that transactions are properly record and reviewed around the cutoff date.

Views of responsible officials and planned corrective actions: The City concurs with the auditor's recommendation. City management has reviewed year-end cutoff procedures with staff to ensure that transactions are properly recorded and reviewed around the cutoff date. An additional management review of payments made subsequent to June will also be implemented for the fiscal year ending June 30, 2025. Additionally, in January 2025 the City implemented new enterprise resource planning software that provides appropriate accounting for cumulative retainage on each applicable purchase order which will assist with the reconciliation of Retention Payables at yearend. This was a manual process completed at the end of each fiscal year prior to the implementation of the new software.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**CITY OF ESCONDIDO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

Financial Statement Findings

None noted.

Federal Program Award Findings

Finding 2023-001

Criteria or Specific Requirement: Pursuant to 31 Code of Federal Regulations section 19.300, prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded.

Condition: Even though it appears that the City has internal controls over compliance in place, for some contracts, the City was unable to provide specific supporting documentation of their verification that the contractors were not suspended or debarred prior to entering into the contract.

Status: Corrected.

Finding 2023-002

Criteria or Specific Requirement: Pursuant to 2 CFR Part 170, under the requirements of the Federal Funding Accountability and Transparency Act (FFATA), recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition: The City was unable to provide supporting documentation that the required special reporting was completed and submitted pursuant to FFATA.

Status: Corrected.



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