



# CITY OF ORANGE, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2025

SINGLE AUDIT REPORT

Focused  
on YOU



CITY OF ORANGE, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2025

CITY OF ORANGE, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2025

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

To the Honorable Members of the City Council  
City of Orange, 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 Orange, California (hereafter, the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2026.

### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Members of the City Council  
City of Orange, California

### **City of Orange, California's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**LSL, LLP**

Irvine, California  
January 26, 2026



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

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

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

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

We have audited the City of Orange, California (hereafter, the City)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. 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 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, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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.



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

### ***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 generally accepted auditing standards, *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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.



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

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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 26, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*LSL, LLP*

Irvine, California

March 12, 2026 (Except for the *Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*, which is dated January 26, 2026)

**CITY OF ORANGE, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2025**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Unique Entity ID</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants *	14.218	N/A	\$ 155,421	\$ 982,832
Total CDBG - Entitlement Grants Cluster			155,421	982,832
Home Investment Partnerships Program *	14.239	N/A	-	832,051
Economic Development Initiative	14.251	N/A	-	5,918
<b>Total U.S. Department of Housing and Urban Development</b>			<b>155,421</b>	<b>1,820,801</b>
<b><u>U.S. Department of Justice</u></b>				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	47,144
Equitable Sharing Program	16.922	N/A	-	541,783
Pass-through Programs:				
County of Orange:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	RFT6BJ98H2A5	-	12,884
<b>Total U.S. Department of Justice</b>			<b>-</b>	<b>601,811</b>
<b><u>U.S. Department of Transportation</u></b>				
Direct Programs:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	N/A	-	142,693
Total Highway Safety Cluster			-	142,693
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	-	183,019
Highway Planning and Construction	20.205	N/A	-	22,892
Pass-through Programs:				
State of California Department of Transportation (Caltrans):				
Highway Planning and Construction	20.205	UK66CLD4DX71	-	102,319
Total Highway Planning and Construction			-	125,211
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>450,923</b>
<b><u>U.S. Department of the Treasury</u></b>				
Direct Programs:				
Equitable Sharing Program	21.016	N/A	-	33,385
<b>Total U.S. Department of the Treasury</b>			<b>-</b>	<b>33,385</b>
<b><u>U.S. Department of Energy</u></b>				
Direct Programs:				
Energy Efficiency and Conservation Block Grant Program	81.128	N/A	-	127,137
<b>Total U.S. Department of Energy</b>			<b>-</b>	<b>127,137</b>
<b><u>U.S. Department of Homeland Security</u></b>				
Pass-through Programs:				
California Office of Emergency Services:				
Hazard Mitigation Grant	97.039	UTM3S7LKYQZ4	-	52,326
Emergency Management Performance Grants	97.042	UTM3S7LKYQZ4	-	44,489
County of Orange:				
Emergency Management Performance Grants	97.042	RFT6BJ98H2A5	-	36,852
Total Emergency Management Performance Grants			-	81,341
<b>Total U.S. Department of Homeland Security</b>			<b>-</b>	<b>133,667</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 155,421</b>	<b>\$ 3,167,724</b>

\* Major Program

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

See accompanying notes to this schedule.

**CITY OF ORANGE, CALIFORNIA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2025**

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**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 Orange, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**B. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The City has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF ORANGE, CALIFORNIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2025**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?  yes  no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218 14.239	Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Reference Number: 2025-001**  
**Financial Closing and Reporting**  
Material Weakness

***Condition***

During our audit, we noted that the City recorded a substantial number of post-trial balance journal entries to correct errors and adjust account balances after the initial trial balance was prepared. The adjustments prepared staff, after audit has begun, were necessary to ensure the financial statements were presented in accordance with generally accepted accounting principles (GAAP).

***Criteria***

Government Auditing Standards and GAAP require entities to maintain effective internal controls over financial reporting to ensure accurate and timely preparation of financial statements. An effective financial closing process should minimize the need for extensive post-closing adjustments and ensure that account balances are complete and accurate prior to audit.

***Cause***

The City lost several key finance personnel during the year, including the Finance Manager, and Senior Accountant, while simultaneously implementing a new ERP system. These factors strained the department's capacity and contributed to weaknesses in the financial closing process, as staff turnover and system changes disrupted established procedures and reduced the availability of experienced personnel to perform timely reconciliations and reviews.

***Effect or Potential Effect***

The combination of staff turnover and ERP implementation caused delays in the financial closing process, increased the risk of errors, and required significant post-closing adjustments. These issues impacted audit readiness and the timeliness of financial reporting, creating inefficiencies and elevating the risk of material misstatements in the financial statements.

***Recommendation***

We recommend the City fill open positions to take over or allocate resources to the procedures that have led to impacts on the timeliness of the financial closing procedures. This will ensure all journal entries and reconciliations are prepared and will be included in the trial balance provided to the auditors at the beginning of the audit, and limit the number of post-trial balance journal entries.

***Management's Response***

Management acknowledges and concurs with the finding and recommendation. While the implementation of a new ERP system during Fiscal Year 2024–2025 created significant operational challenges, the turnover in key Finance positions highlights the critical need of allocating adequate staffing to core financial functions.

Management is actively recruiting to fill critical vacancies and is simultaneously exploring opportunities to streamline processes, leverage system capabilities, and implement innovative approaches to improve efficiency. With the combination of filling critical vacancies, process improvements, and continued stabilization of the new ERP system, the Finance Department is committed to provide a more timely and accurate trial balance at the start of next year's audit cycle.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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



# CITY OF ORANGE

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FINANCE DIRECTOR

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## Summary Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2024

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**Reference Number: 2024-001** – This matter is considered resolved.

