



# CITY OF RIVERSIDE, CALIFORNIA

JUNE 30, 2023

SINGLE AUDIT REPORT

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CITY OF RIVERSIDE, CALIFORNIA

Single Audit Report

June 30, 2023

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Single Audit Report

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

To the Honorable Mayor and Members of the City Council  
City of Riverside, 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 Riverside, 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 November 8, 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 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 or significant deficiencies may exist that were not identified.

### 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 Mayor and Members of the City Council  
City of Riverside, California

**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.

*Lance, Solt & Lughard, LLP*

Brea, California  
November 8, 2023



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 Riverside, California

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

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

We have audited the City of Riverside, California (the "City")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.



To the Honorable Mayor and Members of the City Council  
City of Riverside, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 8, 2023, 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.

*Lance, Solt & Lughard, LLP*

Brea, California  
November 8, 2023



**CITY OF RIVERSIDE**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Unique Entity ID</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<b><u>CDBG - Entitlement Grants Cluster</u></b>				
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 2,057,768	\$ 5,352,386
CDBG Loans Program with Compliance Requirements	14.218	N/A	-	115,904
<b>Total CDBG - Entitlement Grants Cluster</b>			<b>2,057,768</b>	<b>5,468,290</b>
<b><u>Highway Planning and Construction Cluster</u></b>				
<u>U.S. Department of Transportation</u>				
Pass-through the California Department of Transportation:				
Highway Planning and Construction *	20.205	EHEGWCLJEVJ4	-	963,938
<b>Total Highway Planning and Construction Cluster</b>			<b>-</b>	<b>963,938</b>
<b><u>Highway Safety Cluster</u></b>				
<u>U.S. Department of Transportation</u>				
Pass-through State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	XCA4E3XL2KY7	-	24,800
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	XCA4E3XL2KY7	-	359,321
<b>Total Highway Safety Cluster</b>			<b>-</b>	<b>384,121</b>
<b><u>Other Programs</u></b>				
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
Emergency Solutions Grants Program	14.231	N/A	1,753,710	1,753,710
Home Investment Partnerships Program	14.239	N/A	-	1,449,862
HOME Loans Program with Compliance Requirements	14.239	N/A	-	888,380
Total Home Investment Partnerships Program			-	2,338,242
Housing Opportunities for Persons with AIDS *	14.241	N/A	3,193,699	3,262,046
Pass-through the County of Riverside:				
Continuum of Care Program	14.267	JBYVCCGM6C95	-	322,776
<b>Total U.S. Department of Housing and Urban Development</b>			<b>4,947,409</b>	<b>7,676,774</b>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Missing Children's Assistance	16.543	N/A	-	29,293
Bulletproof Vest Partnership Program	16.607	N/A	-	12,851
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	43,993	190,420
Equitable Sharing Program	16.922	N/A	-	294,433
<b>Total U.S. Department of Justice</b>			<b>43,993</b>	<b>526,997</b>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106	N/A	-	205,445
Consolidated Rail Infrastructure and Safety Improvements	20.325	N/A	-	6,478
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>211,923</b>
<u>U.S. Department of Treasury</u>				
Direct Programs:				
Asset Forfeiture	21.U01	N/A	-	32,597
Emergency Rental Assistance Program *	21.023	N/A	-	2,606,993
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds *	21.027	N/A	-	26,711,375
<b>Total U.S. Department of Treasury</b>			<b>-</b>	<b>29,350,965</b>
<u>Institute of Museum and Library Services</u>				
Pass-through State of California:				
Promotion of the Humanities Federal/State Partnership	45.129	TE22Z7JFP4P2	-	4,500
<b>Total Institute of Museum and Library Services</b>			<b>-</b>	<b>4,500</b>
<u>Executive Office of the President - Office of National Drug Control Policy</u>				
Pass-through State of California:				
High Intensity Drug Trafficking Areas Program	95.001	E2TSDGFNMF99	-	391,856
<b>Total Executive Office of the President - Office of National Drug Control Policy</b>			<b>-</b>	<b>391,856</b>

**CITY OF RIVERSIDE**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Unique Entity ID	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System	97.025	N/A	-	1,522,848
Disaster Grants - Public Assistance (Presidentially Declared Disasters) *	97.036	N/A	-	568,581
Pass-through the State of California:				
Homeland Security Grant Program	97.067	UTM3S7LKYQZ4	-	159,408
Pass-through the County of Riverside:				
Homeland Security Grant Program	97.067	UGKSJJCNHPP3	957,367	2,005,561
Emergency Management Performance Grants	97.042	UGKSJJCNHPP3	-	63,724
Total U.S. Department of Homeland Security			957,367	4,320,122
<b>Total Other Programs</b>			<b>5,948,769</b>	<b>42,483,137</b>
<b>Total Federal Expenditures</b>			<b>\$ 8,006,537</b>	<b>\$ 49,299,486</b>

\* Denotes major program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

**CITY OF RIVERSIDE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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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 Riverside, 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.

**C. Indirect Cost Rate**

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

**NOTE: 2: FEDERAL LOAN PROGRAMS WITH COMPLIANCE REQUIREMENTS**

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the accompanying schedule. The balance of loans outstanding with compliance requirements at June 30, 2023, consists of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Balance at June 30, 2023</u>
14.218	CDBG Loans Program	\$ 113,769
14.239	HOME Loans Program	628,916
Total loans subject to continuing compliance requirements		<u>\$ 742,685</u>

**CITY OF RIVERSIDE**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2023**

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

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Significant deficiencies identified?        yes                      X  none reported

• Material weaknesses identified?        yes                      X  no

Noncompliance material to financial statements noted?        yes                      X  no

Federal Awards

Internal control over major programs:

• Significant deficiencies identified?        yes                      X  none reported

• Material weaknesses identified?        yes                      X  no

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                      X  no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS
20.205	Highway Planning and Construction
21.023	Emergency Rental Assistance Program
21.027	COVID 19 – Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants – Public Assistance (Presidential Declared Disasters)

Dollar threshold used to distinguish between type A and type B program    \$1,478,985

Auditee qualified as low-risk auditee?      X  yes                        no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.



## Finance Department

*City of Arts & Innovation*

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

#### **Finding 2022-001: Timeliness of Payments made to Subrecipients**

##### **Federal Award Information**

**Federal agency:** U.S. Department of Housing and Urban Development

**Assistance Listing Number:** 14.231

**Program Title:** Emergency Solutions Grant Program

**Award Numbers:** E-20-MW-06-0538 and E-21-MC-06-0538

**Federal Award Years:** 2021-2022

##### **Criteria:**

The U.S. Department of Housing and Urban Development (HUD) requires that payments to subrecipients for allowable costs be made within 30 days after receiving the subrecipient's complete payment request.

##### **Condition:**

The City did not comply with the 30-day time period requirement for two of its subrecipients since payments to subrecipients for allowable costs were issued 42 days and 46 days after the City received the payment requests. The City has a total of five subrecipients for the program.

##### **Cause of Condition:**

Per inquiry with the Housing Authority Manager, the invoices were not submitted within the required timeframe because purchase orders had to be created before payment to the subrecipient could be processed.

##### **Effect or Potential Effect of Condition:**

The creation of purchase orders prior to the payments to subrecipients being issued led to some delays in the issuance of the payment.

##### **Questioned Costs:**

None.

##### **Context:**

For the year being audited, the payments that were late were the first payment to these subrecipients since no other payment request related to the program appear to have been submitted late.

##### **Current Status:**

Appropriate corrective actions were taken; this finding is considered resolved and is not repeated in the fiscal year ended June 30, 2023.

#### **Finding 2022-002 – Completeness of the Schedule of Expenditures of Federal Award**

##### **Federal Award Information**

**Federal Agency:** U.S. Department of the Treasury

**Assistance Listing Number:** 21.027

**Program Title:** Coronavirus State and Local Fiscal Recovery Fund

**Name of Pass-through Entity:** State of California Water Resources Control Board

California Department of Community Services and Development

**Federal Award Year:** 2021-2022



## Finance Department

*City of Arts & Innovation*

### **Criteria**

Title 2, Subtitle A, Chapter II, Part 200 Subpart F, Section 200.510(b) requires that the auditee prepare a schedule of expenditures of federal award for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with Section 200.502.

### **Condition**

Following the original completion and issuance of the Single Audit Report and submission to the Federal Audit Clearinghouse, the City discovered that the Coronavirus State and Local Fiscal Recovery Fund programs in the amounts of \$11,076,056 passed through the California Department of Community Services and Development and \$4,135,234 passed through the State of California Water Resource Control Board were omitted from the schedule of expenditures of federal awards.

### **Cause of Condition**

The programs were omitted from the schedule of expenditures of federal awards due to the nature of the revenues received. The revenues of \$11,076,056 were received as pass-through for customer electric bills from the California Department of Community Services and Development as part of the California Arrearages Payment Program and \$1,944,242 of customer water bills and \$2,370,992 for customer wastewater bills from the State of California Water Resource Control Board as part of the California Arrearages Payment Program, which were intended to apply credits to past-due active customer account balances for services provided by the City for customers who had been negatively impacted by the COVID-19 pandemic.

### **Effect of Condition**

Due to this condition, the original schedule of expenditures of federal awards submitted was understated and the Single Audit Report is now revised and resubmitted to the Federal Audit Clearinghouse past the March 31<sup>st</sup> deadline to include these pass-through grants.

### **Questioned Costs**

None

### **Context**

All other programs were properly identified and included on the schedule of expenditures of federal awards, indicating that this was an isolated incident.

### **Current Status:**

Appropriate corrective actions were taken; this finding is considered resolved and is not repeated in the fiscal year ended June 30, 2023.