

CITY OF RIVERSIDE, CALIFORNIA
Single Audit Report
For the Year Ended June 30, 2015



Certified
Public
Accountants

**CITY OF RIVERSIDE, CALIFORNIA
For the Year Ended June 30, 2015**

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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable 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 City of Riverside, California, (the City), as of and for the year ended June 30, 2015, 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 9, 2015. Our report includes an emphasis of a matter paragraph indicating that the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

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

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

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

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 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 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.

Macias Gini & O'Connell LLP

Newport Beach, California
November 9, 2015



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Riverside, California, (the City)’s compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Community Development Block Grant Cluster, National Urban Search and Rescue Response System, and State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

As described in items 2015-001 through 2015-004, in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program or Cluster Name	Compliance Requirement
2015-001	14.218	Community Development Block Grant Cluster	Reporting
2015-002	97.025	National Urban Search and Rescue Response System	Reporting
2015-003	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Cash Management
2015-004	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Subrecipient Monitoring

Compliance with such requirements is necessary in our opinion, for the City to comply with requirements applicable to those programs.

Qualified Opinion on Community Development Block Grant Cluster, National Urban Search and Rescue Response System, and State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Community Development Block Grant Cluster, National Urban Search and Rescue Response System and State Administrative Matching Grants for the Supplemental Nutrition Assistance Program for the year ended June 30, 2015.

Unmodified Opinion on its Other Major Federal Programs

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 its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 through 2015-003 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated November 9, 2015, 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 OMB Circular A-133 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 Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Newport Beach, California
November 19, 2015

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Food and Nutrition Service			
Pass-through Riverside County Department of Public Health:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561*	13-20527	\$ 709,266
Total U.S. Department of Agriculture Food and Nutrition Service			<u>709,266</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grants/Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218*	N/A	2,276,270
Subtotal Community Development Block Grants/Entitlement Grants Cluster			<u>2,276,270</u>
Emergency Solutions Grants Program	14.231	N/A	405,309
Supportive Housing Program	14.235	N/A	231,021
Home Investment Partnerships Program	14.239*	N/A	981,798
Housing Opportunities for Persons with AIDS	14.241*	N/A	1,961,909
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	N/A	1,752
Total U.S. Department of Housing and Urban Development			<u>5,858,059</u>
Department of the Interior			
Direct Programs:			
Outdoor Recreation Acquisition, Development and Planning			
	15.916	N/A	19,372
Total U.S. Department of Interior			<u>19,372</u>
U.S. Department of Justice			
Direct Programs:			
Edward Byrne Memorial Formula Grant Program			
	16.579	N/A	137,680
Public Safety Partnership and Community Policing Grants			
	16.710*	N/A	850,696
Equitable Sharing Program			
	16.922	N/A	247,094
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	66,061
Subtotal JAG Program Cluster			<u>66,061</u>
Pass-through Drug Enforcement Agency:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			
	16.580	95-6000930	15,776
Total U.S. Department of Justice			<u>1,317,307</u>
Executive Office of the President - Office of National Drug Control Policy			
Pass-through State of California:			
High Intensity Drug Trafficking Areas Program			
	95.001	07-I5PLAP540Z	161,528
Total Executive Office of the President - Office of National Drug Control Policy			<u>161,528</u>
U.S. Department of Transportation			
Direct Programs:			
Metropolitan Transportation Planning and Non-Metropolitan Planning and Research			
	20.505	N/A	370,972
Federal Transit Formula Grants			
	20.507	N/A	204,535
Pass-through the California Department of Transportation:			
Highway Planning and Construction Cluster			
	20.205*	various	4,690,503
Pass-through Riverside County Department of Public Health:			
Highway Planning and Construction			
	20.205*	116-240	1,273
Subtotal Highway Planning and Construction			<u>4,691,776</u>

* Denotes major program

See Notes to Schedule of Expenditures of Federal Awards

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
Pass-through State of California Office of Traffic Safety:			
State and Community Highway Safety Cluster	20.600	various	192,812
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	various	366,628
National Priority Safety Programs	20.616	OP1507	7,060
Total U.S. Department of Transportation			<u>5,833,783</u>
U.S. Department of Treasury			
Direct Programs:			
Asset forfeiture	21.000	N/A	56,549
Total U.S. Department of Treasury			<u>56,549</u>
Institute of Museum and Library Services			
Pass-through State of California:			
Grants to States	45.310	LS-00-10-0006-10	304
Total Institute of Museum and Library Services			<u>304</u>
U.S. Department of Homeland Security			
Direct Programs:			
National Urban Search and Rescue (US&R) Response System	97.025*	N/A	1,186,203
Assistance to Firefighters Grant	97.044	N/A	196,914
Pass-through State of California:			
Homeland Security Grant Program	97.067	065-62000	1,012,270
Pass-through Riverside County:			
Homeland Security Grant Program	97.067	various	216,514
Subtotal Homeland Security Grant Program			<u>1,228,784</u>
Pass-through California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	2011-0048	70,649
Pass-through California Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	various	1,786
Total U.S. Department of Homeland Security			<u>2,684,336</u>
Total Federal Expenditures			<u>\$ 16,640,504</u>

* Denotes major program

See Notes to Schedule of Expenditures of Federal Awards

CITY OF RIVERSIDE, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, (the Schedule), presents the Federal grant activity of the City of Riverside, California (the City), for the year ended June 30, 2015. The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule 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.

(3) Subrecipients

Of the Federal expenditures presented in the Schedule, the City provided Federal awards to subrecipients as follows:

Federal awarding agency and program name	CFDA	Federal Expenditures
US Department of Housing and Urban Development		
Community Development Block Grant	14.218	\$649,514
Emergency Shelters Grant Program	14.231	370,692
HOME Investment Partnerships Program	14.239	899,577
Housing Opportunities for Persons with AIDS	14.241	1,902,477
U.S. Department of Homeland Security		
Homeland Security Grant Program	97.067	800,240
U.S. Department of Justice		
Edward Byrne Memorial Formula Grant Program	16.579	41,450
Edward Byrne Memorial Justice Assistance Grant Program	16.738	66,061
U.S. Department of Transportation		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	119,519

CITY OF RIVERSIDE, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

(4) Outstanding Loans

The Successor Agency to the Redevelopment Agency of the City of Riverside currently has outstanding \$1,915,000 in HUD Section 108 Loans.

For the University Village project, interest on the loan varies from 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996, ranging from \$272,000 to \$425,000 through August 1, 2015.

For the Mission Village Project, interest on the loan varies from 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999, ranging from \$110,000 to \$420,000, through August 1, 2018.

(5) Confidential Fund Arrangement

The City has entered into a Memorandum of Understanding (MOU) dated May 5, 2010 with the West County Narcotics Task Force (the Task Force), effective until June 30, 2015, whereby the City (Riverside Police Department) has agreed to provide functional supervision, and report directly to the Executive Board of the Task Force, for all administrative matters. The Task Force does not have a separate body responsible for compliance with laws and regulations and as such, the City has been named the responsible party under section B of Article VII of the MOU. Thus, expenditures of the Task Force are included in expenditures of the Equitable Sharing Program.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

A. Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	No
• Significant deficiency (ies) identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

B. Federal Awards:

Internal control over major programs:	
• Material weakness (es) identified?	Yes
• Significant deficiency (ies) identified not considered to be material weakness?	Yes
Type of auditor's report issued on compliance for major programs:	
• Community Development Block Grant Cluster	Qualified
• State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Qualified
• National Urban Search and Rescue Response System	Qualified
• Housing Opportunities for Persons with AIDS	Unmodified
• Public Safety Partnership and Community Policing Grants	Unmodified
• Highway Planning and Construction Program	Unmodified
• HOME Investment Partnerships Program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of the Program or Cluster</u>
14.218	Community Development Block Grant Cluster
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
97.025	National Urban Search and Rescue Response System
20.205	Highway Planning and Construction Program
16.710	Public Safety Partnership and Community Policing Grants
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$499,215
Auditee qualified as a low-risk auditee?	No

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

None noted.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

Reference Number:	2015-001
Federal Program Title(s):	Community Development Block Grant Program Cluster
Federal Catalog Number(s):	14.218
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	None
Federal Award Number(s) and Year(s):	B-08-MN-06-0519 (2008) & B-11-MN-06-0519 (2011)
Category of Finding:	Reporting

Criteria:

Financial Reporting: Per 24 CFR part 85.4, *Grantees will use only the forms specified [...] and such supplementary or other forms as may from time to time be authorized by OMB, for submitting financial reports to Federal agencies.*

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB.

Additionally per 24 CFR part 85, *For reports that are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period.*

Condition:

For the Community Development Block Grant (CDBG) cluster, it was noted that the City was not completing the Federal Financial Report for Expenditures of Federal Awards related to Neighborhood Stabilization Program (NSP) 1 and NSP 3, funding allocations within the CDBG Cluster. Expenditures relating to these funding allocations amount to approximately \$76,000.

Cause:

The instances of noncompliance were attributed to program administrators lack of understanding of the reports required and related submission details and deadlines.

Effect:

The City does not appear to be in compliance with laws and regulations related to financial reporting as stated in 24 CFR Part 85.4

Questioned Costs:

None noted.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Recommendation:

We recommend that the City strengthen internal controls over financial reporting by familiarizing themselves with the required submission requirements and their related reporting deadlines.

Views of Responsible Officials and Planned Corrective Action:

Management concurs. We will ensure staff is properly trained regarding the submission requirements and the reporting deadlines for the Federal Financial Report as identified under Title 24 CFR Part 85.41. A hard copy of the SF-425 report containing all cash expenditures for the quarter shall be submitted by the Fiscal Manager in Community and Economic Development to our grantor representative at the Los Angeles HUD Field Office, which will review the report for completeness and accuracy. The report must be submitted to the Los Angeles HUD Field Office on a quarterly basis within 30 days after the end of the reporting period. The following reporting-period end dates shall be used for the quarterly reports: 3/31, 6/30, 9/30 and 12/31.

For all future grant activity the employee responsible for managing the grant, typically the program manager, for each grant will hold a post-award implementation meeting after the grant is fully executed. During that meeting, the program manager will make certain that everyone understands their responsibilities related to things such as; managing the budget, determining who will complete financial and programmatic reports, verifying reporting dates, and determining how often the budget will be reviewed. To facilitate this process a mini-contract brief will be developed that will outline expectations and responsibilities of staff so that everyone working on the grant will clearly understand their roles and responsibilities.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Reference Number:	2015-002
Federal Program Title(s):	Urban Search and Rescue Response System (USAR)
Federal Catalog Number(s):	97.025
Federal Agency:	Department of Homeland Security
Pass-Through Entity:	None
Federal Award Number(s) and Year(s):	EMW-2013-CA-K00006 (2013) EMW-2014-CA-K00026 (2014)
Category of Finding:	Reporting

Criteria:

Financial Reporting: Per 44 CFR Part 13, *Grantees will use only the forms specified [...] and such supplementary or other forms as may from time to time be authorized by OMB, for submitting financial reports to Federal agencies.*

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB.

Additionally per 44 CFR Part 13, *When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period.*

Performance Reporting: The City is subject to Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments as described in 44 CFR part 13. Per §13.40 (b)(1), *Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. The cooperative preparedness agreement required semi-annual performance reporting. [...] Quarterly or semi-annual performance reports shall be due 30 days after the reporting period.* Per review of the Preparedness Cooperative Agreement, the City is required to electronically submit the first report semi-annually by January 30th and the second by July 30th.

The City is required to complete form FF 089-0-11 Performance Report. [Per the instructions to complete FF 089-0 11] *The performance report is to include the following information:*

Grant fiscal year- Represents the year the funds were allocated

Grant ID number- Represents the grant award number

Beginning Balance- Is the amount of funds available at the beginning of this reporting time period

Funds spent- Represent the actual amount of funds fully paid during this reporting period.

Remaining balance- Will be calculated automatically.

The actual Period of Performance dates are required to be entered for each open grant.

Condition:

Financial Reporting: For the Urban Search and Rescue Response System program (USAR), it was noted that the City did not submit the quarterly Federal Financial Report within the required deadline.

2013 Grant: The Federal Financial Report for the quarter ended December 31, 2014 was required to be submitted on or before January 30, 2015, and was actually submitted on February 23, 2015. The Federal Financial Report for the quarter ended March 31, 2015 was required to be submitted on or before April 30, 2015, and was actually submitted on May 19, 2015.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

2014 Grant: The Federal Financial Report for the quarter ended September 30, 2014 was required to be submitted on or before October 30, 2014, and was actually submitted on February 17, 2015. The Federal Financial Report for the quarter ended December 31, 2014 was required to be submitted on or before January 30, 2015, and was actually submitted on February 18, 2015.

Performance Reporting: In relationship to the information included in the 2013 Grant semi-annual performance report, it was noted that the performance report for the reporting period ending June 30, 2015, included funds expended in excess of actual funds expended by approximately \$95,400.

In relationship to the information included in the 2014 Grant semi-annual performance report, it was noted that the performance report for the reporting period ending June 30, 2015, under reported funds expended in comparison of actual funds expended by approximately \$35,200.

Cause:

Financial Reporting: The above condition is due to the program manager being deployed on an emergency assignment as part of the Federal Emergency Management Agency's Incident Support Team and was unable to submit the required financial report before the submission deadline.

Performance Reporting: Internal controls do not appear to be adequately designed to ensure accurate and timely performance reporting.

Effect:

The City does not appear to be in compliance with laws and regulations related to financial and performance reporting.

Questioned Costs:

None noted.

Recommendation:

We recommend that the City strengthen internal controls by implementing procedures to ensure compliance with requirements regarding the methods used in preparation of financial and performance reports as well as the timely filing of required reports.

Views of Responsible Officials and Planned Corrective Action:

Management concurs. Staff has reviewed the reporting periods and will abide by the submission deadline requirements. The information required on the Semi Annual report mirrors our internal US&R database. To ensure that our reporting process is accurate and depicts the actual expenditures recorded in our financial system, we will implement the following procedures:

1. We have established notification alerts within our system to remind us of quarterly and semi-annual reporting deadlines.
2. Our internal database will be balanced against the IFAS financial system on a weekly basis.
3. Prior to completing the required reports, we will verify that our data agrees to the amounts reported in IFAS and we will only report actual expenditures as recorded in the IFAS financial system.
4. After completing the report, at least two people will check the report for accuracy prior to submitting the report.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Additionally, the discrepancy in the 2013 grant semi-annual performance report was the result of issues caused by inaccurate reconciliation of expenses between the US&R database to IFAS by prior administrative staff. This issue has been resolved with training of new administrative staff that transitioned to their current position in the fourth quarter of fiscal year 2015. Due to a resource issue in the prior year the report was incomplete resulting in an over reporting of actual expenses versus what was incurred. From the inception of the grant through the most recent fiscal year-end total funds reported equaled actual funds expended and have been accurately reflected in the performance report inception to date.

The 2014 grant semi-annual under reporting of expenses issue was due to the fact that staff reported amounts from IFAS for the June 2015 reporting date a few days too early. The report excluded the final three days of the months activities. This process has been updated to report the activity from IFAS once all known expenses have been recorded for the month and notification has been received that the month has been closed in IFAS. In addition, the procedures noted above will be followed.

CITY OF RIVERSIDE, CALIFORNIA
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Reference Number: 2015-003
 Federal Program Title(s): State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
 Federal Catalog Number(s): 10.561
 Federal Agency: United States Department of Agriculture
 Pass-Through Entity: Riverside County Department of Public Health
 Federal Award Number(s) and Year(s): 14-044 (2015)
 Category of Finding: Cash Management

Criteria:

Per OMB Circular A-133, Part 3 section C, *When awards are funded on a reimbursement basis, select a sample of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.* In 7 CFR 3016.21(d) *Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met.*

Condition:

For five of the transactions that MGO tested, the date of the reimbursement request was before the City paid the expenditures to the entity. The total of these expenditures is \$60,875. The dates are as follows:

Drawdown Reference	Reimbursement Request Date	Payment Date
01016DP	7/28/2014	7/31/2014
HFJKB13C	9/18/2014	11/4/2014
HFJKB13C	9/19/2014	11/13/2014
HFMR19	12/10/2014	12/22/2014
HFMR415	4/3/2015	4/17/2015

Cause:

There is not an established procedure in place to ensure that drawdowns are requested after payment to vendors are made. Because there is not an established process in place to ensure compliance, internal controls over compliance do not appear to be appropriately designed to prevent or detect instances of noncompliance.

Effect:

The City does not appear to be in compliance with laws and regulations related to cash management.

Questioned Costs:

None noted.

Recommendation:

We recommend the City implement procedures to ensure that drawdown requests are submitted subsequent to the City's payments to its vendors.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Action:

Management Concur. The City of Riverside will modify its current process whereby the City will submit all subrecipient and City invoices in draft format for review to the Department of Public Health (DOPH). This provides the DOPH and the City an opportunity to ensure all subrecipient activity is allowable and in conformance with the grant requirements. Once an approval is given by the DOPH the City will then process all subrecipient invoices for payment. Once all invoices are paid, the City will then submit a formal signed invoice to the DOPH for expense reimbursement. It should be noted that this is the current informal practice with the DOPH; however, at times, the DOPH would review the invoices for conformance to grant requirements and process for reimbursement simultaneously. This process will be conveyed to the DOPH as noted.

CITY OF RIVERSIDE, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

Reference Number:	2015-004
Federal Program Title(s):	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Federal Catalog Number(s):	10.561
Federal Agency:	United States Department of Agriculture
Pass-Through Entity:	Riverside County Department of Public Health
Federal Award Number(s) and Year(s):	14-044 (2015)
Category of Finding:	Subrecipient Monitoring

Criteria:

Per 7 CFR §3016.26(a), *Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations."*

State or local governments [...] which expends \$500,000 or more (or other amount as specified by OMB) in Federal awards in a fiscal year shall: Determine whether State or local subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-110 have met the audit requirements of the Act (§3016.26(b) and (b)(1)). They are also to ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations (§3016.26(b)(3)).

Condition:

The City does not have a process in place to obtain the Single Audit reports for eligible subrecipients and consequently they are not able to review the report and follow up on any findings.

Cause:

There is not an established procedure in place to ensure that required subrecipient Single Audit reports are received and evaluated for noncompliance. Because there is not an established process in place to ensure compliance, internal controls over compliance do not appear to be appropriately designed to prevent or detect instances of noncompliance.

Effect:

The City does not appear to be in compliance with laws and regulations related to subrecipient monitoring.

Questioned Costs:

None noted.

Recommendation:

We recommend the City implement a process that ensures compliance with obtaining Single Audit reports of subrecipients that expend \$500,000 or more in Federal awards during their fiscal year, and evaluate any subrecipient noncompliance specific to the federal funds passed through from the City.

Views of Responsible Officials and Planned Corrective Action:

Management Concur. In addition to the standard verification process of eligibility for subrecipients we will add a process step that requests a copy of a Single Audit report from the subrecipient, if available. If a report is not available, we will request an acknowledgement by the subrecipient that they do not meet the Single Audit threshold and as such, an audit was not conducted. Additionally, during the annual grantee review process we will validate the subrecipients understanding of the grant terms and conditions as well necessary internal controls to administer the grant funds. If a report is available, in conjunction with fiscal staff, we will review any findings noted in the Single Audit report to ensure that the subrecipient has been evaluated for any noncompliance issues that may impact their eligibility with the City and document in the applicable grant file.

CITY OF RIVERSIDE, CALIFORNIA
 Summary Schedule of Prior Audit Findings
 For the Year Ended June 30, 2014

<i>Prior Year Federal Award Findings</i>				
Finding No.	Program	CFDA No.	Compliance Requirements	Status of Corrective Action
2014-001	Community Development Block Grant Cluster	14.218	Reporting	The City has partially implemented the corrective action.
2014-002	Community Development Block Grant Cluster; HOME Investment Partnerships Program; Housing Opportunities for Persons with AIDS	14.218/ 14.239/ 14.241	Allowable Costs	The City has fully implemented the corrective action.
2014-003	Community Development Block Grant Cluster; HOME Investment Partnerships Program	14.218 14.239	Subrecipient Monitoring	The City has fully implemented the corrective action.
2014-004	Urban Search and Rescue Response System	97.025	Reporting	The City has partially implemented the corrective action.
2014-005	Urban Search and Rescue Response System	97.025	Equipment Management	The City has fully implemented the corrective action.
2014-006	HOME Investment Partnerships Program	14.239	Reporting	The City has fully implemented the corrective action.
2014-007	Housing Opportunities for Persons with AIDS	14.241	Reporting	The City has partially implemented the corrective action.