

CITY OF ROSEVILLE, CALIFORNIA

SINGLE AUDIT REPORT

FISCAL YEAR ENDING JUNE 30, 2016

CITY OF ROSEVILLE, CALIFORNIA

SINGLE AUDIT REPORT

FISCAL YEAR ENDING JUNE 30, 2016

Table of Contents

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditure of Federal Awards	8
Schedule of Findings and Questioned Costs	
I. Summary of Auditors' Results	9
II. Financial Statement Findings	10
III. Federal Awards Findings and Questioned Costs	11
Schedule of Prior Audit Findings	12



**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
Roseville, 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 Roseville, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2016. Our report includes an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 72*, effective July 1, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be a significant deficiency.

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*.

The City of Roseville's Response to Finding

The City's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

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.



Sacramento, California
December 13, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Roseville California's (City) compliance with the types of compliance requirements described 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, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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; 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). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

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, 2016.

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 the Uniform Guidance, 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.

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. *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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 13, 2016, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2015. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.



Sacramento, California
December 13, 2016

CITY OF ROSEVILLE, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number / Pass-Through Identification Number	Federal Expenditures	Amounts Provided to Subrecipients
<u>U. S. Department of Housing and Urban Development</u>				
<i>Direct Programs</i>				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	CA128	\$ 4,616,080	
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0063	980,575	\$ 196,115
<i>Passed through the California Department of Housing and Community Development</i>				
Home Investment Partnerships Program	14.239	11-HOME-7531	452,734	
Total Department of Housing and Urban Development			6,049,389	196,115
<u>U. S. Department of Health and Human Services</u>				
<i>Passed through the California Department of Education</i>				
CCDF Cluster				
Child Care and Development Block Grant	93.575	15136-2191	41,362	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609-2191	75,182	
Total CCDF Cluster			116,544	
<u>U. S. Department of Justice</u>				
<i>Direct Programs</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0622	19,760	
<u>U. S. Department of Transportation</u>				
<i>Direct Programs</i>				
Federal Transit Cluster				
Federal Transit-Formula Grants				
Preventative Maintenance & Bus Purchase	20.507	CA 90-Z295	529,133	
Section 5307 Capital Assistance Grant	20.507	CA 90-Y492	10,748	
FY 16 5307 Transit Operations	20.507	CA 2016-097-00	761,321	
Total Federal Transit Cluster			1,301,202	
<i>Passed through the Placer County Transportation Planning Agency</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
Congestion Mitigation and Air Quality Improvement Program	20.205	CML 6158(066)	35,875	
<i>Passed through the California Department of Transportation</i>				
Highway Planning and Construction Cluster				
Bridge Preventative Maintenance Project	20.205	BPMP-5182(071)	3,788	
Industrial Ave Bridge Replacement	20.205	BRL0-5182(056)	131,129	
Oakridge Bridge Replacement	20.205	BRLO-5182(057)	113,927	
Dry Creek Greenway Comm. Plan/Outreach	20.205	CML-5182(058)	85,255	
Oak St Ext-Miners Ravine Trail	20.205	CML-5182(063)	14,539	
Pedestrian Facilities Improvement	20.205	CML-5182(070)	904,676	
Safe Routes to School Cycle 3	20.205	SRTSLNI-5182(064)	48,187	
Total HPC Cluster			1,337,376	
Enhanced Mobility of Seniors and Individuals with Disabilities				
Federal Transit Authority 5310 (FTA) Mobility Management Grant	20.513	64AM16-00103	8,729	
Highway Safety Cluster				
State Community and Highway Safety				
Selective Traffic Enforcement Program (STEP)	20.600	PT15113	12,318	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF ROSEVILLE, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant Identification Number / Pass-Through Identification Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<u>U. S. Department of Transportation (Continued)</u>				
<i>Passed through the Sacramento Area Council of Governments</i>				
New Freedom Program				
FTA Mobility Grant	20.521	CA-57-X072	\$ 38,000	
Total Highway Safety Cluster			<u>50,318</u>	
<i>Passed through the Auburn Police Department</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
Avoid DUI Campaign	20.608	AL1557	2,477	
Avoid DUI Campaign	20.608	AL1631	2,289	
Total Department of Transportation			<u>2,702,391</u>	
<u>Department of Homeland Security</u>				
<i>Passed through the County of Calaveras</i>				
Disaster Grants - Public Assistance	97.036	FEMA 4240-DR-CA	<u>31,999</u>	
<i>Passed through the County of Placer</i>				
Homeland Security Grant Program - 2014	97.067	2014-00093	36,918	
Homeland Security Grant Program - 2015	97.067	2015-00078	13,078	
Total Department of Homeland Security			<u>81,995</u>	
	TOTAL FEDERAL EXPENDITURES		<u>\$ 8,970,079</u>	<u>\$ 196,115</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF ROSEVILLE, CALIFORNIA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of federal award programs of the City of Roseville (City). The City's reporting entity is defined in Note 1 of the City's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures/expenses are recognized following the cost principles contained within Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal agency or may be granted to other government agencies which pass-through federal awards to the City. The SEFA includes both of these types of Federal award programs when they occur.

NOTE 4 – INDIRECT COST RATE

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

CITY OF ROSEVILLE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)?	<u>No</u>

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>CDBG - Entitlement Grants Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF ROSEVILLE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

FINDING 2016-001

VENDOR MASTER FILE MAINTENANCE

Criteria:

The City should maintain a policy for vendor master file maintenance to control active and inactive vendor files. Necessary changes to the vendor master file should be restricted to authorized personnel and the review and authorization of changes made should be evidenced.

Condition Found:

During our testing over the cash disbursements transaction cycle, it was noted that the City's vendor master file had a large number of vendors which had not recently conducted business with the City. It was noted that the City did not have a policy for reviewing the vendor master file to inactivate or purge unused vendors. Additionally, the review of changes made to the vendor master file was not evident.

Context:

The condition above was identified during our consideration of the City's design and implementation of internal controls over the City's cash disbursements process. At the time, the vendor master file had over 40,000 active vendors included and there was no process in place to inactivate or purge vendors.

Effect:

Due to the above condition, the City's internal control over payments to vendors is weakened.

Cause:

The City does not have a formalized policy to restrict access to make changes to the vendor master file, to review changes made to the file, and to inactivate or purge unused vendors from the file.

Recommendation:

The City should adopt a policy to restrict access to make changes to the vendor master file, to conduct reviews of the changes made to the vendor master file, and to purge inactive vendors from the file.

View of Responsible Officials and Planned Corrective Actions:

The City reviewed the vendor file and inactivated all vendors without recent activity, which reduced the number of active vendors to approximately 3,000. The City is in the process of developing a policy to review and inactivate vendors on a regular basis.

CITY OF ROSEVILLE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF ROSEVILLE, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Financial Statement Prior Year Findings

Finding No.	Description	Status
2015-001	Authorization of Procurement Cards	Implemented
2015-002	Segregation of Duties Over Utility Billing	Implemented

Federal Award Prior Year Findings and Questioned Costs

Finding No.	Program Name	CFDA No.	Compliance Requirement	Status
2015-003	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions – Depository Agreement	Implemented
2015-004	Home Investment Partnerships Program	14.239	Cash Management	Implemented
2015-005	Home Investment Partnerships Program	14.239	Period of Performance	Implemented