

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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CITY OF ROSEVILLE
SINGLE AUDIT REPORT
For The Year Ended June 30, 2014

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CITY OF ROSEVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grants/Entitlement Grants</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>
<u>20.205</u>	<u>Highway Planning and Construction (Federal-Aid Highway Program)</u>

Dollar threshold used to distinguish between type A and type B programs: \$356,885

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose a significant deficiency, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 22, 2014 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA2014-001: Cash Management – Draw Down of HOME Grant Funds in Excess of Actual Expenditures Incurred

CFDA Number: 14.239
CFDA Title: HOME Investment Partnerships Program
Federal Agency: Department of Housing and Urban Development
Pass-Through Entity: California Department of Housing and Community Development

Criteria: Exhibit A5 of the HOME Grant (11-HOME-7531) indicates that Activity Delivery Costs drawn down during the entire contract term must be for actual costs incurred according OMB Circulars A-87 and A-122.

Condition: During our testing of administrative payroll expenditures charged to the HOME Investment Partnerships Program grant for the months of August 2013 and June 2014, we noted that the reimbursement requests did not claim actual payroll expenditures incurred, but instead charged the maximum “Activity Delivery Costs” included in the award agreement. We obtained the City-prepared worksheet used to compare the Activity Delivery Costs drawn down from the grantor and applied to program income to the actual payroll expenditures incurred for the year ended June 30, 2014 and noted that the Activity Delivery Costs exceeded actual payroll expenditures in the amount of \$31,046. This amount is comprised of \$19,377 of program income that was factored into the calculation of net amounts drawn down from the grantor that totaled \$11,669.

Questioned Costs: We question costs in the amount of \$11,669, which is the net amount of Activity Delivery Costs drawn down from the grant for the year ended June 30, 2014 in excess of actual costs incurred. Although additional Activity Delivery Costs in excess of actual costs incurred were applied to program income in the amount of \$19,377, we are not questioning those costs, because they were not actually removed from the general ledger fund and the program income cash balance remains in the fund as of June 30, 2014.

Effect: HOME Grant funds for administrative costs were drawn down or allocated to program income in excess of actual costs incurred in the amount of \$31,046. The interest earned on the unspent funds drawn down from the grantor was estimated to be approximately \$92.

Cause: It was the City’s procedure to draw down the maximum Activity Delivery Costs for each loan issued up to the maximum amount allowed by the award agreement, rather than the amount of actual costs incurred during the period of each draw down.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA2014-001: Cash Management – Draw Down of HOME Grant Funds in Excess of Actual Expenditures Incurred (Continued)

Recommendation: The City should charge and draw down grant funds only for actual costs incurred and the City should ensure that the amounts drawn down in excess of actual expenditures are returned to the grantor in a timely manner. In addition, the City should work with the grantor to correct any program income documentation to show that the funds remain unspent and available for the program. Finally, the City should determine whether the interest earned on the excess grant funds need to be returned to the grantor.

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Esmerita Rivera, Housing Analyst, Denise Leon-Guerrero, Administrative Analyst and Melissa Hagan, Financial Analyst II

Corrective action: Staff is fully aware of the requirements and expenditure limits for administering the HOME funds, however secondary labor charges for activity delivery fees for processing the loans were not matching the amounts that were being drawn from HCD or allocated from program income. Beginning with the new HOME funds, staff will charge the actual cost of processing a loan and record that time against each individual loan via a project number. When the loan is ready to be processed through HCD, we will run a project report that will indicate how much time was spent and then draw that amount in ADF taking into consideration any PI that will be used for ADF as well. If more than allowable was charged, then the overage is paid for by our HOME Admin and if a loan is unsuccessful time spent that will be charged to HOME admin as well.

Staff will coordinate with HCD to determine if any funds need to be returned.

Finding SA2014-002: Timely Submittal of Required Reports

CFDA Number: 14.218
CFDA Title: CDBG Entitlements Cluster
Community Development Block Grant/Entitlement Grants
Federal Agency: Department of Housing and Urban Development

Criteria: The OMB Circular A-133 Compliance Supplement for the Community Development Block Grant Program (CDBG) requires the SF-425 Federal Financial Report to be completed. Furthermore, the Department of Housing and Urban Development (HUD) requires the quarterly SF 425 Federal Financial Report to be submitted within 30 days of the end of the previous quarter.

Condition: The SF-425 Federal Financial Report for the quarter ending December 31, 2013 was submitted on March 6, 2014, which is more than 30 days after the end of the quarter. In addition, the SF-425 Federal Financial Report for the quarter ending March 31, 2014 was not submitted to HUD. Instead, the information for the quarter ending March 31, 2014 was reported on the SF-425 Federal Financial Report for the quarter ending June 30, 2014.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA2014-002: Timely Submittal of Required Reports (Continued)

Effect: The City is not in compliance with HUD’s reporting requirements.

Cause: The City did not submit the SF-425 Federal Financial Report for the quarter ending December 31, 2013 in a timely manner, and the City did not submit the SF 425 Federal Financial Report for the quarter ending March 31, 2014.

Recommendation: The City should develop procedures to ensure that all SF-425 Federal Financial Reports are filed within 30 days of the end of the quarter in accordance with HUD’s reporting requirements.

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Melissa Hagan, Financial Analyst II

Corrective action: Staff will ensure that due dates for the SF-425 reports are recorded on internal calendars and task lists and will prepare the reports in a more timely manner.

Finding SA2014-003: Accurate Preparation of Federal Funding Accounting and Transparency Sub-award Reporting System Reports

CFDA number: 14.218

CFDA Title: CDBG Entitlements Cluster
Community Development Block Grant/Entitlement Grants

Name of Federal Agency: Department of Housing and Urban Development

Criteria: The Federal Funding Accounting and Transparency Act (FFATA) requires grant and cooperative agreement recipients and contractors for grants awarded on or after October 1, 2010 to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award data through FSRS that contains accurate information regarding subrecipients.

Condition: The subaward made to one of the City’s subrecipients, GRID Alternative, was listed in the FSRS as \$3,625,000, but the actual award was only \$36,250.

Effect: Although the actual funding provided to the subrecipient was not affected, the subrecipient information reported on the FSRS was not correct.

Cause: It appears to have been an oversight by City staff.

Recommendation: Although we noted that the City corrected the subaward amount in the FSRS subsequent to our testing, the City must establish procedures to ensure that accurate subaward information is reported on the FSRS. The procedures should include the review and approval of data input into the FSRS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA2014-003: Accurate Preparation of Federal Funding Accounting and Transparency Sub-award Reporting System Reports (Continued)

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Esmerita Rivera, Housing Analyst

Corrective action: The FFATA system requires CDBG grantees to identify sub-grant amounts and not used for funding purposes. Although there was a typographical error on one of the entries, there was no adverse effect. Staff will review the data entered in the FFATA system in order to ensure the data is correct.

Finding SA2014-004: Timely Submission of Grant Reimbursement Requests

CFDA Number: 20.205
CFDA Title: Highway Planning and Construction (Federal-Aid Highway Program)
Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation (CalTrans)

Criteria: Special Covenant number 4 of the Program Supplement CML 5182(058) for the Dry Creek Greenway Community Plan/Outreach and CML-5152(063) for the Oak Street Extension – Miners Ravine Trail projects require that invoices are to be submitted “at least once every six months commencing after the funds are encumbered.” If no invoices are submitted for a six month period, the City is required to submit a written explanation to the State which includes a target billing date and amount. If invoices or a written explanation are not submitted every six months, the State reserves the right to suspend future authorizations/obligations, and invoice payments for any ongoing or future federal-aid.

Condition: During our testing of expenditures for the Dry Creek Greenway Community Plan/Outreach and the Oak Street Extension – Miners Ravine Trail projects we noted that as of February 2015, the City had not requested reimbursement from the grantor for payroll expenditures incurred during the month of April 2014, and the City had not submitted a written explanation for the delay to the State.

Effect: The City is not in compliance with reimbursement request requirements of the grantor and is potentially subject to the sanctions noted above.

Cause: City staff indicated that the City delayed the submittal of the reimbursement requests in order to conduct some necessary coordination with CalTrans to ensure compliance with the grant requirements.

Recommendation: The City should submit invoices at least once every six months or a written explanation for the lack of invoice submittal with a target date and billing amount to remain in compliance with the grant requirements. The City should ensure that it complies with all reporting requirements specified in the grant award documents.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA2014-004: Timely Submission of Grant Reimbursement Requests (Continued)

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Michael Dour, Alternative Transportation Analyst

Corrective action: As noted, City staff delayed the submittal of reimbursement requests to conduct coordination with CalTrans to ensure grant compliance related to invoicing. We were in frequent contact with CalTrans Local Assistance during this delay, and informed them verbally that we would submit an invoice as soon as we finished coordination on this issue. However, we forgot to provide an explanation of the delay in writing to CalTrans. Going forward, we will make sure that invoices are submitted within six months. If an issue should arise that causes a delay, we will inform CalTrans Local Assistance in writing.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management

Financial Statement Prior Year Findings

Our audit disclosed significant deficiencies, but no material weaknesses or instances of noncompliance to the basic financial statements. The current status of these issues are communicated in our separate Memorandum on Internal Control dated December 22, 2014, which is an integral part of our audits and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

Finding SA2013-01: Timely Submission of Grant Award Package

CFDA Number: 20.205
CFDA Title: Highway Planning and Construction
Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation

Criteria: Special Covenant Number 3 of the Program Supplement CML-5182(065) for the Industrial Avenue from Washington to Justice Center Asphalt Concrete Overlay project requires that award information for construction contracts be submitted to the District Local Assistance Engineer (DLAE) within 60 days of project contract award.

Condition: The City awarded the construction contract for the project on October 3, 2012, but the award package for the construction contract was not submitted to the DLAE until January 22, 2013, more than 60 days after of project contract award.

Effect: The City is not in compliance with the Special Covenant requirements of the Program Supplement.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management (Continued)

Finding SA2013-01: Timely Submission of Grant Award Package (Continued)

Cause: We understand the late submittal of the award package was an oversight and when City staff became aware of the late filing, they contacted the DLAE immediately.

Recommendation: The City should develop procedures to ensure that it complies with the Special Covenants of the grant award by submitting the award information to the DLAE within 60 days of project contract award.

Current Status: In response to the finding above, the City created a Federal Construction Contract Checklist that was placed in the project file. The Checklist consists of a list of required documents and submission deadlines for the grant. Also, the Checklist states that key submittal deadlines dates shall be entered in the engineer's Outlook calendar with reminders. On May 22, 2014, the City provided a copy of the Checklist and sample construction work day calendar from Outlook the California Department of Transportation (CalTrans). On September 9, 2014, the City provided an internal Memorandum dated July 9, 2014 to CalTrans, which provides instructions to the City Project's staff to use the Checklist in order to track package submissions and due dates. Based on CalTrans Audits and Investigations' review of the documents provided by the City, CalTrans deemed finding SA2013-01 resolved as communicated in its September 16, 2014 letter to City staff.

Finding SA2013-02: Procurement for Management and Operation of Transit Services Call Center

CFDA number: 20.507
CFDA Title: Federal Transit – Formula Grants (Urbanized Area Formula Program)
Name of Federal Agency: Department of Transportation

Criteria: All non-Federal entities are to follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110 49 CFR Part 18. This includes performing a cost or price analysis in connection with every procurement action, including contract modifications.

Condition: During our testing of procurement, we noted that the City modified its contract with MV Transportation to include additional services for the newly renovated transportation call center. This change order is considered outside the original scope of the operation contract and was not procured properly as it was modified without a competitive bid process or documentation that the competitive award was not required. As mentioned in the FTA's Triennial Review Report dated February 25, 2014, the City lacked justification and documentation for the noncompetitive award of call center operations and there was no evidence that a cost/price analysis was performed.

Effect: The City's procurement procedure related to the MV Transportation contract modification was not in compliance with the A-102 Common Rule and OMB Circular A-110 49 CFR Part 18.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management (Continued)

Finding SA2013-02: Procurement for Management and Operation of Transit Services Call Center (Continued)

Cause: The City did not have procurement procedures to guide staff in understanding federal procurement requirements.

Recommendation: We recommend that the City develop procedures related to procurement specific to federally funded contracts that will provide guidance to the staff. In addition, the grant administrator should review all applicable federal procurement rules and regulations to ensure that the City's procedures are in compliance with the procurement requirements.

Current Status: The City prepared policies and procedures for Roseville Transit for the procurement of goods and services when using FTA and other federal funds. Based on the FTA's review of the policies and procedures developed for the Roseville Transit, the FTA considered this finding resolved, as communicated in its March 3, 2015 letter to City staff.

Finding SA2013-03: Accurate Preparation of IDIS Financial Summary Report

CFDA number: 14.218, 14.253

CFDA Title: CDBG Entitlements Cluster -
Community Development Block Grant/Entitlement Grants
ARRA - Community Development Block Grants ARRA
Entitlement Grants (CDBG-R) (Recovery Act Funded)

Name of Federal Agency: Department of Housing and Urban Development

Criteria: The City is required to file an annual Financial Summary Report (C04PR26) using the Housing and Urban Development's Integrated Disbursement and Information System (IDIS) that contains accurate financial information. In addition, in accordance with the OMB Circular A-133 Compliance Supplement Agency Program Requirements, the C04PR26 is to be included in the annual performance and evaluation report that must be submitted for the CDBG Entitlement Program 90 days after the end of the program year.

Condition: The City's C04PR26 for the program year 2012, which includes the activity for fiscal year 2013, reported a balance of \$474,332 on line 01, Unexpended CDBG Funds at End of Previous Program Year. However, the balance should have been \$39,934. Line 01 feeds into other calculations in the C04PR26. In addition, line 15, Total Expenditures, reported a total of \$341,499, but City staff was unable to reconcile that amount to the program expenditures reported on the Schedule of Expenditures of Federal Awards of \$429,488.

Effect: The City is not reporting complete and accurate information to the awarding agency which could adversely impact future grant funding.

Cause: City staff did not reconcile the data included in the C04PR26 to the general ledger or to the Schedule of Expenditures of Federal Awards, and believes that the data included in the final C04PR26 is not accurate or may include unidentified reconciling items.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management (Continued)

Finding SA2013-03: Accurate Preparation of IDIS Financial Summary Report (Continued)

Recommendation: City staff should make the necessary corrections in the IDIS system to ensure the unexpended balance of the grant program is reflected accurately. And, in the future, City staff should ensure that the information reported on the C04PR26 is accurate and agrees with, or is reconciled to, the general ledger activity and the information reported in the Schedule of Expenditures of Federal Awards prior to submission of the C04PR26 through the IDIS system.

Current Status: City staff made the necessary corrections in the IDIS system that accurately reflects the correct unexpended balance. A corrected C04PR26 was submitted to both HUD and Auditors. City staff ensures all data in the C04PR26 agrees with and is reconciled with the General Ledger (GL) prior to completing and submitting the C04PR26 to HUD. Both the CDBG Program Administrator and Financial Analyst review and verify the data to ensure the information is accurate with the GL activity as well as the information reported in the Schedule of Expenditures of Federal Awards before submitting through IDIS.

HUD accepted the City's corrective actions in its September 17, 2014 letter to City staff.

Finding# SA2013-04: Federal Funding Accounting and Transparency Act Reporting Requirements

CFDA number: 14.218, 14.253
CFDA Title: CDBG Entitlements Cluster -
Community Development Block Grant/Entitlement Grants
ARRA - Community Development Block Grants ARRA
Entitlement Grants (CDBG-R) (Recovery Act Funded)

Name of Federal Agency: Department of Housing and Urban Development

Criteria: The Federal Funding Accounting and Transparency Act (FFATA) requires grant and cooperative agreement recipients and contractors for grants awarded on or after October 1, 2010 to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award data through FSRS. In addition to the FSRS registration, the grant recipients are required to obtain a Data Universal Numbering System (DUNS) number from all sub-recipients. The Community Development Block Grant B-12-MC-06-0043 was granted on or after October 1, 2010, and the City made first-tier subawards in excess of \$25,000 under the grant, and is therefore subject to the requirements of FFATA reporting.

Condition: The City made subgrants in excess of \$25,000 under the Community Development Block Grant B-12-MC-06-0043, but did not register with Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and the Central Contractor Registration (CCR). In addition, the City did not obtain the DUNS number from its sub-recipients.

Effect: The City is not in compliance with the FFATA and grant agreement requirements.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management (Continued)

Finding# SA2013-04: Federal Funding Accounting and Transparency Act Reporting Requirements (Continued)

Cause: The FFATA is only applicable to first tier sub-award grants awarded after October 1, 2010, and we understand that although City staff was aware of the new reporting requirements, they thought it only applied to construction contracts.

Recommendation: City staff should develop procedures to review grant agreements in detail to ensure compliance with all reporting requirements and for all current and future programs subject to the FFATA, the City should ensure all requisite reporting responsibilities are met.

Current Status: City staff has implemented necessary procedures to ensure compliance with all reporting requirements for all current and future programs subject to FFATA as well as ensuring all requisite reporting are met.

HUD accepted the City's corrective actions in its September 17, 2014 letter to City staff.

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CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor or Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Programs			
Direct:			
Section 8 Housing Choice Vouchers	14.871		\$4,594,306
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0043	274,240
Program Expenditures			221,927
Subgrants			496,167
Program Subtotal			496,167
Pass-Through from:			
California Department of Housing and Community Development			
Home Investment Partnerships Program			
Program Expenditures	14.239	2011-HOME-7351	488,069
Loan program cash balance at the end of the year	14.239		15,449
Program Subtotal			503,518
Total Department of Housing and Urban Development			5,593,991
Department of Justice Programs			
Direct:			
Juvenile Accountability Incentive Block Grant FY13-14	16.523	BSCC 118-13	21,466
Edward Byrne Justice Assistance Grant FY 12	16.579	2013-DJ-BX-1084	22,965
OCDETF Program	16.111	PA-CAE-00381	6,773
Total Department of Justice			51,204
Department of Transportation Programs			
Direct:			
Federal Transit - Formula Grants (Urbanized Area Formula Program)			
ARRA - 2009 Section 5307 Bus Rehabilitation Maintenance	20.507	CA-96-X082	1,104
Section 5307 Capital Assistance Grant	20.507	CA-90-Y492	120,198
Preventative Maintenance and Bus Purchase	20.507	CA-90-Y773	178,282
Operating Assistance	20.507	CA-90-Z206	1,343,633
Preventative Maintenance and Bus Purchase	20.507	CA-90-Y910	1,404,000
Sougstad/Darling Way Bikeway	20.507	CA-03-0772	62,421
Program Subtotal			3,109,638
Pass-Through from:			
Highway Planning and Construction (Federal-Aid Highway Program)			
Placer County Transportation Planning Agency			
CMAQ Grant	20.205	CML-6158(059)	35,876
State of California Department of Transportation			
Harding-Royer Park Bike Trail	20.205	CML03-5182(047)	753
Eureka I-80 Roadway and Ramp Widening	20.205	HPLUL-5182(061) & (062)	379,662
Dry Creek Greenway Community Plan/Outreach	20.205	CML 5182(058)	45,577
Industrial Avenue Bridge Replacement	20.205	BRLS-5182(056)	150,255
Oak St. Ext.-Miners Ravine Trail	20.205	CML-5185(063)	25,038
Oakridge Bridge Replacement	20.205	BRLS-5182(057)	123,533
CMS-Baseline and Foothills	20.205	CML-5182(059)	102,969
Industrial Avenue Asphalt Concrete Overlay	20.205	CML-5182(065)	13,346
Safe Route to School	20.205	SRTSLNI-5182(044)	56,023
Safe Route to School	20.205	SRTSLNI-5182(064)	53,019
Oak/Washington Roundabout	20.205	CML-5182(067)	1,073,662
Program Subtotal			2,059,713
State and Community Highway Safety			
U.C. Berkeley - Safety Transportation Research and Education Center			
Sobriety Checkpoint Minigrant FY10-11	20.600	SC11355	3,523
Minimum Penalties for Repeat Offenders for Driving While Intoxicated			
Auburn Police Department			
Avoid DUI Campaign	20.608	AL1336	582
Avoid DUI Campaign	20.608	AL1452	2,332
Program Subtotal			2,914
Total Department of Transportation			5,175,788

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor or Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security Programs			
Direct:			
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2011-FH-00628	<u>964,794</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Tuolumne County Rim Fire	97.036	FEMA 5049-FM-CA	<u>22,218</u>
Pass-Through from:			
Placer County			
Buffer Zone Protection Program (BZPP)			
Homeland Security Grant (Fire)	97.067	2011-SS-0077	10,261
Homeland Security Grant (Police)	97.067	2011-SS-0077	9,081
Homeland Security Grant (Fire)	97.067	2013-SS-00123	8,365
Homeland Security Grant (Police)	97.067	2012-SS-00123	<u>53,283</u>
Program Subtotal			<u>80,990</u>
Total Department of Homeland Security			<u>1,068,002</u>
Department of Labor Program			
Direct:			
WIA Adult Program			
OJT-WIA Adult Program - Golden Sierra Job Training Agency	17.258	K386201-118	<u>7,190</u>
Total Expenditures of Federal Awards			<u>\$11,896,175</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF ROSEVILLE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Roseville, California and its component units as disclosed in the notes to the Basic Financial Statements.

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 of Federal Awards reported on the Schedule are recognized when incurred.

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

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

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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 Members of the City Council
City of 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 basic financial statements of the City of Roseville as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2014. Our report included emphasis of a matter paragraphs disclosing transactions related to the dissolution of the former Redevelopment Agency and the restatement of capital assets, unavailable revenue and long-term debt balances.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City'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. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control we consider to be significant deficiencies, as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 22, 2014 which is an integral part of our audits and should be read in conjunction with this report.

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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 22, 2014, which is an integral part of our audits and should be read in conjunction with this report. 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 result 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.



Pleasant Hill, California
December 22, 2014

**INDEPENDENT AUDITOR'S 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 OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Roseville'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, 2014. 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.

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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items **SA2014-001, SA2014-002 and SA2014-003 and SA2014-004**. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit are 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.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items **SA2014-001, SA2014-002 and SA2014-003**, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are 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 basic financial statements of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated December 22, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Mane & Associates

Pleasant Hill, California
March 13, 2015

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