

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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CITY OF ROSEVILLE
SINGLE AUDIT REPORT
For The Year Ended June 30, 2013

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CITY OF ROSEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

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? Yes X 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:

CFDA#(s)	Name of Federal Program or Cluster
14.218 & 14.253	ARRA - Community Development Block Grants Entitlement Grants Cluster
20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)
20.205	ARRA – Highway Planning and Construction
97.083	Staffing for Adequate Fire Emergency Response

Dollar threshold used to distinguish between type A and type B programs: \$488,286

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies, 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 20, 2013, 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 required to be reported in accordance with section 510(a) of OMB Circular A-133.

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.

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.

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Noah Siviglia, Sr. Engineering Tech, 916-746-1300

Corrective action: Staff will implement the following procedure to ensure prompt submission of documents within contract deadlines.

- A checklist with all documents and submission deadlines will be created at the beginning of the contract.
- All submission deadlines with reminders will be entered into the employee's Outlook calendar.

Staff is confident that the above mentioned steps will resolve any future issue with submission of documents within contract deadlines.

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

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.

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.

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Michael Wixon, Alternative Transportation Manager, 916-774-5293

Corrective action: We are committed to preparing policies and procedures for Roseville Transit for the procurement of goods and services when using Federal Transit Administration (FTA) and other federal funds by 06/13/14.

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

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.

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.

View of Responsible Officials and Planned Corrective Actions:

Contact persons: Esmerita Rivera, Housing Analyst II, 916-774-5469
Melissa Hagan, Financial Analyst II, 916-774-5476

Corrective action: Staff will reconcile the PR-26 to the GL before submission to HUD via the IDIS system.

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

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.

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.

View of Responsible Officials and Planned Corrective Actions:

Contact person: Esmerita Rivera, Housing Analyst II, 916-774-5469

Corrective action plan: The City will ensure that all sub-awards in excess of \$25,000 will be registered and reported with the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) in order to comply with FFATA reporting requirements.

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

Prepared by Management

Financial Statement Prior Year Findings

We have included the current status of the prior significant deficiencies in our Memorandum of Internal Control dated December 20, 2013, which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

Finding 2012-01:	Cash Management – Draw Down of Community Development Block Grant Funds in Advance of Expenditures
CFDA number:	14.218, 14.253
CFDA Title:	CDBG Entitlement Grants Cluster - Community Development Block Grant/Entitlement Grants ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded) Neighborhood Stabilization Program
Name of Federal Agency:	Department of Housing and Urban Development
Pass-through Entity:	California Department of Housing and Community Development

Criteria: In accordance with 24 CFR Part 85.22, payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. In addition, the Cash Management provisions of OMB Circular A-133 require that when grants are funded on a reimbursement basis, program costs must be paid for by City funds before reimbursement is requested from the grantor. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Generally, a grant is determined to be on the reimbursement basis if grant expenditures are incurred within three days of receiving the grant funds.

Condition: During our testing of grants and loans funded with Community Development Block Grant monies, we noted that four rehabilitation grants (\$5,000 each) and one loan (\$11,700) were drawn down when they were committed rather being than drawn down after the expenditures were incurred, and three of the grants were not fully disbursed to the recipients as follows:

1. \$5,000 rehabilitation grant was reimbursed by the grantor on March 21, 2012. Although the grant had been approved for the recipient in December 2011, the recipient decided not to pursue the assistance and the grant was cancelled in January 2012. The \$5,000 was returned to the grantor by reducing a reimbursement request on April 26, 2012.
2. \$5,000 rehabilitation grant was reimbursed by the grantor on March 21, 2012. Although the initial grant approved for the recipient in that amount, the actual grant amount disbursed to the recipient paid on June 22, 2012 was only \$2,895, and the balance of the grant of \$2,105 was not disbursed to the recipient until November 16, 2012.

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

Prepared by Management (Continued)

3. \$5,000 rehabilitation grant was reimbursed by the grantor on June 21, 2012. Although the initial grant approved for the recipient in that amount, the actual grant amount disbursed to the recipient paid June 29, 2012 was only \$4,257. An additional disbursement to the recipient of \$295 was not paid until January 18, 2013. The unexpended balance of the grant of \$448 has not yet been returned to the grantor.
4. \$5,000 rehabilitation grant was reimbursed by the grantor on March 21, 2012, however the grant was not disbursed to the recipient until May 4, 2012.
5. \$11,700 loan was reimbursed by the grantor on October 6, 2011, but was not disbursed until October 13, 2011.

These rehabilitation grant and loan amounts were included in requests for reimbursement prior to the actual disbursement to the recipients and although disbursement occurred at a later date for most of the transactions, disbursement should always precede reimbursement from the grantor.

Questioned Costs: We question costs in the amount of \$448, which consist of the net ineligible costs left to be returned to the grantor for grant expenditures that were not incurred by the City.

Effect: Drawing down funds in advance does not minimize the time elapsing between receipt of funds and expenditures and is not in compliance with 24 CFR Part 85.22 and the Cash Management provisions of OMB Circular A-133.

Cause: When the City approves rehabilitation grants and loans the City establishes a separate project for the Accounts Payable department to pay invoices for those projects. These rehabilitation grant and loan amounts were included in requests for reimbursement prior to the actual disbursement to the recipients.

Recommendation: The City should not draw down funds until expenditures have been incurred and should minimize the time elapsing between the draw down and the expenditure to three days or less. The City should ensure that the amounts reimbursed in excess of actual expenditures are returned to the grantor in a timely manner. In addition, the City should determine whether the interest earned on the grant funds advanced need to be returned to the grantor.

Current Status: The City has implemented the recommendation that drawdowns are not done prior to expenditures.

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

Prepared by Management (Continued)

Finding 2012-02: Accurate Preparation of Schedule of Expenditures of Federal Awards
CFDA number: 14.218, 14.253
CFDA Title: CDBG Entitlement Grants Cluster -
Community Development Block Grant/Entitlement Grants
ARRA - Community Development Block Grants ARRA
Entitlement Grants (CDBG-R) (Recovery Act Funded)
Neighborhood Stabilization Program
Name of Federal Agency: Department of Housing and Urban Development
Pass-through Entity: California Department of Housing and Community Development

Criteria: In accordance with the requirements of OMB Circular A-133 and the Single Audit Act, the City should report all federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.

Condition: In reviewing the expenditure details that supported expenditure detail for the Community Development Block Grants ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded), we noted that expenditures for the year ended June 30, 2011 totaling \$87,019 had been excluded from the SEFA in the prior fiscal year. These expenditures should have been reported on the fiscal year 2010-11 SEFA.

Effect: Excluding program expenditures from the SEFA results in the City being out of compliance with the requirements the grant agreements and OMB Circular A-133.

Cause: The CDBG-ARRA grant was included on the SEFA during the interim phase of the audit, however, it was inadvertently excluded from the final fiscal year 2011 SEFA due to staff oversight.

Recommendation: The City should develop procedures to ensure that all annual expenditures for grants are included on the SEFA in the correct fiscal year.

Current Status: Implemented

Finding 2012-03: Compliance with FTA Reporting Requirements
CFDA number: 20.507
CFDA Title: Federal Transit – Formula Grants (Urbanized Area Formula Program)
Name of Federal Agency: Department of Transportation

Criteria: The reporting requirements of the OMB Circular A-133 Compliance Supplement for the Federal Transit-Formula Grants require the submission of a quarterly SF-425 Federal Financial Report (FFR). The FFR data is then incorporated into Quarterly Narrative Reports (QNR).

Condition: We selected the FFRs for testing the quarters ending March 2012 and June 2012 for grants CA-96-X082 and CA-90-Y773. City staff was unable to locate the FFRs for those periods, but was able to provide copies of the QNRs for the period ending June 30, 2012 that indicated that the FFRs had been submitted for that period. City staff could not provide copies of the QNRs for the period ending March 31, 2012.

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

Finding 2012-03: Compliance with FTA Reporting Requirements (Continued)

Effect: The City did not file the FFRs or QNRs for the period ended March 31, 2012 and therefore was not in compliance with the grantor reporting requirements for that period.

Cause: The staff responsible for completing and filing the FFRs and QNRs unexpectedly left the City and her duties were not reassigned to another staff person in time to file the FFRs and QNRs for the period ended March 31, 2012.

Recommendation: The City should ensure proper staffing during personnel transition so grantor reporting requirements are fulfilled.

Current Status: Implemented

Finding 2012-04: Payroll Charges in Excess of Actual Payroll Costs
CFDA number: 20.205
CFDA Title: Highway Planning and Construction
Name of Federal Agency: Department of Transportation
Pass-through Entities: California Department of Transportation
Placer County Transportation Planning Agency

Criteria: The OMB Circular A-87 Attachment B, Section 8(b) requires that payroll charges to grants be consistent with that paid for similar work in other activities of the governmental unit. That means the employee hourly rate charged to the federal grant should be the same as the employee's hourly rate charged to all other City activities.

Condition: During our testing of payroll charges to the Industrial Avenue Bridge Replacement and Oakridge Bridge Replacement projects, we noted one employee's pay rate charged to the grant was \$84, but his actual pay rate for that pay period was \$79. The grant had been charged a total of 13 hours at the incorrect pay rate or a total of \$65. When we questioned the error, the City discovered that although the employee was paid at the correct rate of \$79 per hour, an error in their payroll allocation system charged the grant for the employee's rate at the highest step during that pay period, or \$84 per hour. The system error appears to be caused by a coding problem in the Timekeeping system.

Questioned Costs: We question costs in the amount of \$65.

Effect: The City is not in compliance with the compensation cost principles of OMB Circular A-87 and has charged the federal grant more than actual costs incurred. Although this error may affect other payroll costs charged to the grant, it appears to affect only employees that are not at top step pay rate and therefore does not have a material effect on the grant.

Cause: The payroll allocation system contains a coding error that charges employee time at the highest step pay rate when the employee is working "out of class."

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

Finding 2012-04: Payroll Charges in Excess of Actual Payroll Costs (Continued)

Recommendation: The City should correct the payroll allocation system to ensure that employee hourly rates are charged to grants at the correct pay rate, and the City should review all employee pay rates charged to grants to determine the extent of the error in all federal grants. In addition, the City should ensure that the amounts reimbursed in excess of actual expenditures are returned to the grantor in a timely manner. Finally, the City should determine whether the interest earned on the ineligible grant funds needs to be returned to the grantor.

Current Status: The overpayment was deducted from a succeeding claim and the finding was cleared by the grantor.

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CITY OF ROSEVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number or Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Programs			
Direct:			
Section 8 Housing Choice Vouchers	14.871		\$4,689,619
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0043	298,139
Program Expenditures			131,349
Subgrants			
ARRA - Community Development Block Grants - ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-06-0043	3,060
Program Expenditures			432,548
Program Subtotal			
Pass-Through from:			
California Department of Housing and Community Development Home Investment Partnerships Program	14.239	2008-HOME-4695	383,554
Total Department of Housing and Urban Development			5,505,721
Department of Justice Programs			
Direct:			
Juvenile Accountability Incentive Block Grant FY11-12	16.523	CSA 118-11	26,846
FY 2011 Justice Assistance Grant	16.579	2011-DJ-BX-2937	25,108
Equitable Sharing Program	16.922		25,834
Total Department of Justice			77,788
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	908,246
Section 5307 Capital Assistance Grant	20.507	CA-90-Y593	269,714
Section 5307 Capital Assistance Grant	20.507	CA-90-Y492	318,812
Preventative Maintenance and Bus Purchase	20.507	CA-90-Y773	282,264
Program Subtotal			1,779,036
Pass-Through from:			
Highway Planning and Construction			
Placer County Transportation Planning Agency			
CMAQ Grant	20.205	CML-6158(054)	35,876
State of California Department of Transportation			
Harding-Royer Park Bike Trail	20.205	CML03-5182(047)	15,035
Harding-Royer Park Bike Trail (CMAQ Grant)	20.205	TCSP03-5182(027)	262,202
Eureka I-80 Roadway and Ramp Widening	20.205	HPLUL-5182(061) & (062)	3,641,470
Dry Creek Greenway Community Plan/Outreach	20.205	CML 5182(058)	239,683
Fiddymont Road Widening	20.205	SLPPCL12-5182(066)	1,000,000
Industrial Avenue Bridge Replacement	20.205	BRLS-5182(056)	31,673
Oak St. Ext.-Miners Ravine Trail	20.205	CML-5152(063)	23,043
Oakridge Bridge Replacement	20.205	BRLS-5182(057)	37,110
CMS-Baseline and Foothills	20.205	CML-5182(059)	161,421
Roseville Fiber Optics Project	20.205	CML-5182(060)	645,535
Industrial Avenue Asphalt Concrete Overlay	20.205	CML-5182(065)	1,749,165
Safe Route to School	20.205	SRTSLNI-5182(044)	14,696
Safe Route to School	20.205	SRTSLNI-5182(064)	37,441
ARRA - 2010 Arterial Microsurface	20.205	ESPLSTP 5182(055)	96,422
Program Subtotal			7,990,772
State and Community Highway Safety			
State of California Office of Traffic Safety			
Distracted Driving Enforcement	20.600	DD1311	14,359
U.C. Berkeley - Safety Transportation Research and Education Center			
Sobriety Checkpoint Minigrant FY10-11	20.600	SC11355	6,417
Program Subtotal			20,776
Auburn Police Department			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated			
Avoid DUI Campaign	20.608	AL1336	2,109
Total Department of Transportation			9,792,693

CITY OF ROSEVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number or Pass-Through Identifying Number	Federal Expenditures
Department of Homeland Security Programs			
Direct:			
Assistance to Firefighters Grant FY11	97.044	EMW-2011-FO-02544	216,000
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2011-FH-00628	599,329
Pass-Through from:			
Placer County			
Buffer Zone Protection Program (BZPP)			
Homeland Security Grant (Fire)	97.078	2010-0085	36,897
Homeland Security Grant (Fire)	97.078	2011-SS-0077	8,177
Homeland Security Grant (Fire)	97.078	2012-SS-00123	2,103
Homeland Security Grant (Police)	97.078	2010-0085	5,919
Program Subtotal			53,096
Total Department of Homeland Security			868,425
Department of Labor Programs			
Direct:			
WIA Adult Program			
OJT-WIA Adult Program - Golden Sierra Job Training Agency	17.258	K386201-117	2,565
OJT-WIA Adult Program - Golden Sierra Job Training Agency	17.258	K386201-118	6,845
Total Department of Labor			9,410
Department of Defense Programs			
Direct:			
Flood Control Projects			
Water Meter Retrofit Program	12.106		16,268
Department of the Interior Programs			
Pass-Through from:			
Bureau of Reclamation			
Expansion of Commercial and Multi Family Toilet Rebate Program and Expansion of Commercial Landscape Irrigation Efficiency Progr	15.530	R11AP20092	5,652
Total Expenditures of Federal Awards			\$16,275,957

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, 2013

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, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2013. Our report included emphasis of a matter paragraphs disclosing the implementation of new accounting principles, the restatement of capital assets, and transactions related to the dissolution of the former Redevelopment Agency.

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 20, 2013 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

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 20, 2013 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.

A handwritten signature in black ink that reads "Mary & Associates". The script is cursive and fluid, with the ampersand being particularly stylized.

Pleasant Hill, California
December 20, 2013

**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, 2013. 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, 2013.

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 SA2013-01 and SA2013-02. 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 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. 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 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, 2013, and have issued our report thereon dated December 20, 2013, 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.

Maye & Associates

Pleasant Hill, California
March 5, 2014

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