

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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CITY OF ROSEVILLE
SINGLE AUDIT REPORT
For The Year Ended June 30, 2009

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CITY OF ROSEVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009**

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? 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? Yes X No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
<u>14.871</u>	<u>Section 8 Housing Choice Vouchers</u>
<u>20.507</u>	<u>Federal Transit – Formula Grants (Urbanized Area Formula Program)</u>
<u>12.106</u>	<u>Flood Control Projects</u>
<u>66.816</u>	<u>Headquarters and Regional Underground Storage Tanks program</u>
<u>97.078</u>	<u>Buffer Zone Protection Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$358,180

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 6, 2009, 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 did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

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

Prepared by Management

Financial Statement Prior Year Findings

There were no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

Finding 08-01: Department of Justice Wireless Network COP Tech 2005 (CFDA #16.710)

Criteria:

The City charged payroll and benefit costs to the Department of Justice's Wireless Network COP Tech grant. In order to substantiate the costs charged to the grant, the City should maintain adequate documentation to support the time charged to the grant. According to OMB Circular-87 Attachment A (C)(1) "to be allowable under Federal awards, costs must meet the following general criteria...(j) Be adequately documented.

Condition:

The total amount the City requested for payroll and benefits from the awarding agency was \$30,983. We selected a sample of these expenditures as part of our testing. While all payroll and benefit related transactions we selected were supported by timecards, we were informed by City employees that a total of 310 hours, charged to the grant on two timecards we examined, actually occurred in prior pay periods. The City could not provide further documentations to support how these hours were calculated. The 310 hours discussed above amounted to 72% of the payroll and benefits costs we sampled.

Effect:

Based on our testing result above, we estimate that the City's documentation can possibly substantiate \$11,408 of the payroll and benefits costs requested for grant reimbursement. However, we question the remaining \$19,575.

Cause:

Prior to December 2008, the City's payroll system did not allow employees to allocate their work hours based on projects. As a result, the City subscribed to a secondary system for this function. We were told by management that the City maintained payroll records in the secondary system to substantiate the 310 hours we questioned above. However, the subscription of the secondary system was terminated after the City upgraded their current payroll system. The termination was due to the fact that the upgrade to the payroll system allowed employees to allocate their work hours based on projects. Since the subscription has ended, the City could no longer access the secondary system to provide us with the necessary supporting documents of these 310 hours.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

To comply with the OMB Circulars, the City should ensure that supporting documents of grant expenditures are available in case of any future audits or grantors' inquiries. For any future changes in record maintenance systems, the City should ensure that these documents are not lost during the process.

Current Status:

The City was able to receive archived back-up information from their previous Innotas project management system. This documentation appears to substantiate hours claimed during the prior audit period. This issue is considered closed as of June 30, 2009.

Finding 2008-02: Grant reporting and Accounting (General)

Criteria:

According to OMB Circular A-133 §300(a), the City is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received.

Condition:

During the audit, the City's Schedule of Expenditures of Federal Awards (SEFA) had to be revised several times, mainly due to the fact that non-federal grant expenditures were included in the SEFA.

Effect:

Audit planning for the Single Audit had to be revised and work had to be delayed.

Cause:

The City's General Ledger does not separate project expenditures based on funding sources.

Recommendation:

To alleviate the pressure of compiling the SEFA at the end of the year, the City should develop a record keeping system which allows Finance and/or project managers to track Federal expenditures during the year. The information derived from this system should be easily accessible by Finance in order to prepare the SEFA at year end. Also, the SEFA needs to be reviewed for accuracy and completeness to ensure proper reporting of federally funded grant expenditures.

Current Status:

During fiscal year 2008–09, the California State Controllers Office investigated this issue with the City. The City filed a response for the Finding with the California State Controllers Office and the California State Controllers Office found the response sufficient. This Finding is considered cleared for the current fiscal year.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2008-3: Department of Transportation, Roseville Historic District Streetscape Project (CFDA #20.205)

Criteria:

According to the Special Covenants or Remarks contained in the Program Supplement No. M011, the “Administering Agency agrees to submit invoices in arrears for reimbursement of participating project costs at least once every six months commencing after the funds are encumbered for each phase by the execution of this project program supplement or by State’s future approval of an applicable Finance Letter.” In addition, the Program Supplement states that “if no costs have been invoiced for a six-month period, Administering Agency shall submit a written explanation (with target billing date and target billing amount) of the absence of project activity.”

Condition:

As of March 19, 2009, the City had only submitted two invoice billings dated March 14, 2007 and October 6, 2008. According to the Program Supplement, as stated above, the City should have submitted written explanations when invoice billing was not submitted at least once every six months. However, the City did not submit the required explanation to the grantor.

Effect:

The City is not in compliance with the requirement on the Program Supplement stated above.

Cause:

According to City, the Historic District Streetscape Project had a series of field and design challenges that did not allow the project to progress within the planned schedule.

Recommendation:

The City should report invoices of disbursements of participating project costs in time intervals stated in the Program Supplement. If no invoices are submitted, the City should submit a written explanation documenting the reason.

Current Status:

During fiscal year 2008-09, the California Department of Transportation (Caltrans) has requested documentation to provide support for this Finding. Currently, the City is working with Caltrans to clear this issue.

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Grantor Agency and Award Title	Identifying Direct or Pass-Through Grant Number	Federal Catalog Number	Program Expenditures
U.S. Department of Housing and Urban Development			
Low Income Housing Program (Section 8) Voucher	Not available	14.871	4,070,233
Community Development Block Grant	B-06-MC-060043	14.218	<u>702,998</u>
(Passed through California Department of Housing & Community Development)			
HOME Funds	2005-HOME-1689	14.239	92,702
HOME Funds	2008-HOME-4695	14.239	54,335
HOME Funds	2007-HOME-3062	14.239	<u>218,219</u>
Total HOME Funds			<u>365,256</u>
Total U.S. Department of Housing and Urban Development			<u>5,138,487</u>
U.S. Department of Justice			
COPS 2006 SOS - Dry Creek School	2005CKWX0505	16.710	38,465
2007 Secure Our Schools	2006CKWX0616	16.710	89,872
COPS Tech Grant 2006/ 07	2006CKW0249	16.710	<u>119,419</u>
Program Total			<u>247,756</u>
Juvenile Accountability Incentive Block Grant 07/ 08	CSA 118-08	16.523	11,080
Juvenile Accountability Incentive Block Grant 08/ 09	CSA 118-09	16.523	<u>11,075</u>
Program Total			<u>22,155</u>
Bullet Proof Vest Program	2009BUBX8041307	16.607	<u>11,776</u>
Total U.S. Department of Justice			<u>281,687</u>
U. S. Department of Transportation			
(Passed through the City of Berkley)			
Click It or Ticket FY 07-08	CT09355	20.600	7,117
(Passed through the State Office of Traffic Safety)			
OTS-STEP-2007	PT0738	20.600	19,032
OTS-DUI 2009	AL0902	20.600	<u>47,799</u>
Program Total			<u>73,948</u>
Section 5307 Capital Assistance Grant	CA-90-Y593-00	20.507	1,129,889
FY 2004 - 2005 Section 5307 Grant	CA-90-Y492-00	20.507	<u>1,011,389</u>
Program Total			<u>2,141,278</u>
Riverside Avenue Streetscape	CML-5182(025)	20.500	<u>77,090</u>
(Passed Through California Department of Transportation)			
Harding-Royer Park Bike Trail	TCSP03-5182 (027)	20.205	593,221
CMAQ Grant - TSM	CML-6158(035)	20.205	25,001
RSVL Pkwy Fiber Optic Cbl Inst	CML-5182 (036)	20.205	73,185
Antelope Bike Trail	TCSP-5182 (001)	20.205	10,000
2007 Rstp-Bonded Wearing Cours	STPL 5182 (037)	20.205	845,000
2007 Rstp-Bonded Wearing Cours	STPL 5182 (038)	20.205	366,364
Atkinson Bridge Widening	BHLS-5182 (007)	20.205	262,814
2006 CMAQ - Equipment Conversion	CML-5182(031)	20.205	110,833
Mahany ITS Conversion Project	CML-5182(034)	20.205	235,566
Fiber Optic-Mahany Project	CML-5182(033)	20.205	<u>304,604</u>
Program Total			<u>2,826,588</u>
Total U.S. Department of Transportation			<u>5,118,904</u>
Environmental Protection Agency			
NE Water Store Reservoir Replacement	Not available	66.816	<u>441,997</u>
Total Environmental Protection Agency			<u>441,997</u>

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Grantor Agency and Award Title	Identifying Direct or Pass-Through Grant Number	Federal Catalog Number	Program Expenditures
U.S. Department of Homeland Security (Passed through Placer County)			
Homeland Security Grant - Fire	2007-0008	97.078	118,174
(Passed through Placer County)			
Fire - OPS Hazmat 08/ 09	2007-0008	97.073	6,567
Fire - OPS Hazmat 07/ 08	2006-0071	97.073	33,279
Program Total			39,846
(Passed through State of California)			
Floodplain Houses - FEMA	20008-0003	97.029	227,996
Disaster Grants - Public Assistance (Presidentially Declared Disas	Not available	97.036	139,858
Total U.S. Department of Homeland Security			525,874
U.S. Department of Defense			
Water Meter Retrofit Program	XP-96907801-0	12.106	338,079
Total U.S. Department of the Interior			338,079
U.S. National Endowment for the Humanities			
IMLS - ELF Grant 2007	40-6978	45.310	5,000
Library Service & TEAC ACT-LSTA	40-7047	45.310	4,194
Early Learning With Families	40-7064	45.310	22,500
Ca of the Past Digital Storytell	40-7128	45.310	9,000
LSTA-TLAF (Transfer Life After 50)	40-7192	45.310	18,000
Program Total			58,694
American Heritage Preservation Grant	IC-22-09-0054-09	45.303	1,406
The Big Read	32490	45.024	4,000
Museums for America	MA-01-07-0067-07	45.301	30,210
Total U.S. National Endowment for the Humanities			94,310
Total Expenditures of Federal Awards			\$11,939,338

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, 2009

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.

NOTE 4 – SUBRECIPIENTS

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.871	Low Income Housing Program (Section 8) Voucher	\$3,530,530
14.218	Community Development Block Grant	223,224
14.239	HOME Funds	27,902

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**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***

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

We have audited the financial statements of the City of Roseville as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 and other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 6, 2009, which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Maze & Associates". The script is cursive and fluid, with the ampersand being a simple loop.

November 6, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Roseville with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in Section I - Summary of Auditor's Results included in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

A *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

January 22, 2010