

CITY OF ROSEVILLE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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CITY OF ROSEVILLE
SINGLE AUDIT REPORT
For The Year Ended June 30, 2011

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CITY OF ROSEVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2011**

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? 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: 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? 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>14.239</u>	<u>Home Investment Partnerships Program</u>
<u>20.500 & 20.507</u>	<u>Federal Transit Administration Cluster</u>
<u>20.205 & 20.219</u>	<u>Highway Planning and Construction Cluster</u>
<u>97.055</u>	<u>Interoperable Emergency Communications</u>
<u>97.067</u>	<u>Homeland Security Grant Program</u>
<u>81.128</u>	<u>Energy Efficiency and Conservation Block Grant Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$353,960

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 communicated the significant deficiencies along with other matters in a separate Memorandum on Internal Control dated November 21, 2011 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 finding required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding 2011-01	<u>Recording General Ledger Activity in Correct Grant Account</u>
CFDA number:	14.239
CFDA Title:	Home Investment Partnerships Program
Name of Federal Agency:	U.S. Department of Housing and Urban Development
Name of pass-through Entity:	California Department of Housing and Community Development

Criteria: OMB-Circular A-87, Attachment A, Section C #1j, Basic Guidelines, costs must be adequately documented to be allowable under Federal awards, and generally accepted accounting principals require that activity be recorded in the correct general ledger fund.

Condition: The City received a grant from the 2008 Home Investment Partnerships Program to fund the Owner-Occupied Rehabilitation Program and the First Time Homebuyer Program. The City requested and received reimbursement of \$18,386 under the program in July 2010 for an eligible rehabilitation loan made in fiscal year 2010. In fiscal year 2010, the expenditure related to the issuance of the loan had been recorded in the City's CalHome Grant Fund, because the loan agreement indicated that CalHome, not the Home Investment Partnerships Program, was the funding source of the loan and the loan was recorded as an expenditure and loan receivable in the CalHome Grant Fund. The Home Investment Partnerships Program reimbursement request was not reconciled to the general ledger activity to determine that applicable costs were included in the reimbursement and the correct general ledger fund.

In fiscal year 2011 the City amended the loan agreement to indicate a change in the funding source from CalHome monies to Home Investment Partnerships Program monies. As a result of the amendment, the Senior Program Technician II prepared a journal entry to reclassify the loan expense and associated loan receivable from the CalHome Grant Fund to the Home Investment Partnerships Program Fund, but the journal entry was not recorded in the general ledger.

Effect: The expenditure and loan receivable were not recorded in the Home Investment Partnerships Program Fund, but the loan was funded by the Home Investment Partnerships Program.

Cause: The Housing Financial Analyst II did not record the journal entry to record the loan expenditure in the correct grant fund.

Recommendation: Changes in grant funding should be reviewed to ensure all associated journal entries are recorded in the general ledger timely. In addition, reimbursement requests should be reconciled to general ledger activity, again to ensure any associated adjustments have been posted.

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

Finding 2011-01 Recording General Ledger Activity in Correct Grant Account (Continued)

View of Responsible Officials and Planned Corrective Actions

Name of contact person: Jan Shonkwiler, Housing Programs Manager

We are implementing a change in how the information for journal entries from the Program side is disseminated to the Finance side:

1. Program staff will provide the request for all journal entries to the Finance staff in paper-form (rather than email) and,
2. Program staff will periodically run a report from IFAS (by the property-owner's account number) to make certain that the funding is correct especially when a correction from one funding source to another has been made.

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

There were no prior year Federal Award Findings and Questioned Costs reported.

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CITY OF ROSEVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Direct Programs			
Section 8 Housing Choice Vouchers	14.871		\$4,322,489
Community Development Block Grants	14.218	B-06-MC-060043	431,061
Neighborhood Stabilization Program - Community Development Block Grants	14.218		396,136
Program subtotal			827,197
Subtotal Department of Housing and Urban Development Direct Programs			5,149,686
Department of Housing and Urban Development Pass-Through Programs From:			
California Department of Housing and Community Development			
Home Investment Partnerships Program	14.239	2007-HOME-3062	114,434
Home Investment Partnerships Program	14.239	2008-HOME-4695	272,110
Subtotal Department of Housing and Urban Development Pass-Through Programs			386,544
Total Department of Housing and Urban Development			5,536,230
Department of Justice Direct Programs			
ARRA - 2009 Edward Byrne Memorial Formula Grant	16.579	2009-SB-B9-0679	13,888
2010 Edward Byrne Memorial Formula Grant	16.579	2010-DJ-BX-0687	39,575
Program subtotal			53,463
Bulletproof Vest Partnership Program	16.607		8,220
ARRA - Juvenile Accountability Incentive Block Grant	16.523	CSA 118-10	13,082
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant	16.804	2009-DJ-BX-848	27,710
Sub-recipient:			
Placer County	16.804	2009-DJ-BX-848	33,621
Program subtotal			61,331
Subtotal Department of Justice Direct Programs			136,096
Department of Justice Pass-Through Programs From:			
Placer County			
ARRA - Edward Byrne Memorial Justice Assistance Grant (CalEMA)	16.804	ZA09010310	1,492
Total Department of Justice			137,588
Department of Transportation Direct Programs			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants			
Section 5309 Riverside Gateway Bike Improvement Grant	20.500	CA-03-0772-00	90,218
Subrecipient:			
City of Lincoln (Section 5309 Bus Facility Project)	20.500	CA-03-0772-00	388,365
Federal Transit - Formula Grants (Urbanized Area Formula Program)			
Section 5307 Capital Assistance Grant	20.507	CA-90-Y593-00	365,854
ARRA - 2009 Section 5307 Bus Rehabilitation Maintenance	20.507	CA-96-X082-00	151,014
Preventative Maintenance and Bus Purchase	20.507	CA-90-Y773-00	315,095
Total Federal Transit Cluster			1,310,546
Subtotal Department of Transportation Direct Programs			1,310,546

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CITY OF ROSEVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Transportation Pass-Through Programs From:			
Highway Planning and Construction Cluster			
California Department of Transportation			
Highway Planning and Construction			
Washington/Andora Widening	20.205	CML-5182(040)	12,641
Washington/Andora Widening	20.205	ESPLCM-5182(041)	37,128
Sierra College Fiber Optic	20.205	TLSP-5182 (039)	245,436
ARRA - 2009 Arterial Microsurface	20.205	STPL 5182(046)	100,617
ARRA - 2009 Cirby Way Rubberized	20.205	ESPL 5182(050)	1,123,910
West Roseville IT Conversion	20.205	CML 5182(045)	5,354
Congestion Management Hub Project	20.205	CML 5182(053)	113,564
ARRA - 2010 Douglas Blvd Bonded	20.205	ESPLSTP-5182(054)	348,660
2010 Douglas Blvd Bonded	20.205	ESPLSTP-5182(054)	1,125,117
ARRA - 2010 Arterial Microsurface	20.205	ESPLSTP-5182(055)	7,970
CMAQ Grant (Harding Blvd to Royer Phase II)	20.205	TCSP03-5182 (027)	67,926
Washington Blvd Underpass	20.205	TCSP-5182 (019)	1,000
Safe Route to School	20.205	SRTSLNI-5182(044)	64,512
Placer County Transportation Planning Agency			
CMAQ Grant - TSM	20.205	CML-6158(040)	35,005
State of California			
Recreational Trails Program Grant	20.219	RT-31-007	263,836
Total Highway Planning and Construction Cluster			3,552,676
Sacramento Area Council of Governments			
Job Access Reverse Commute	20.516	CA 37-X072	72,514
University of Berkeley, California			
State and Community Highway Safety			
2009 Next Generation-Click It or Ticket	20.600	CT10355	1,169
2009 Office of Traffic Safety-Sobriety Checkpoint Minigrant	20.600	SC10355	19,654
California Highway Patrol			
State and Community Highway Safety			
FAST Grant	20.600	9C220003	34,890
Program subtotal			55,713
Subtotal Department of Transportation Pass-Through Programs			3,680,903
Total Department of Transportation			4,991,449
Department of Labor Pass-Through Programs From:			
Golden Sierra Job Training Agency			
ARRA - 2010 WIA Dislocated Workers	17.260	R970535	20,505
Department of Homeland Security Pass-Through Programs From:			
City of Sacramento			
Interoperable Emergency Communications			
Public Safety Interoperable Communications	97.055	G11006100	69,262
2008 Urban Areas Security Initiative	97.055	FY08, FY09 Grant	32,771
Program subtotal			102,033
City of Sacramento			
National Urban Search and Rescue Response System	97.025	2008-1079	4,292
Placer County			
Buffer Zone Protection Program	97.078	2008-BZ-T8-0008	39,846

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CITY OF ROSEVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Placer County Office of Emergency Services			
Homeland Security Grant Program (Narrow Banding - Fire Dept)	97.067	2008-0006	125,120
Homeland Security Grant Program (Narrow Banding - Fire Dept)	97.067	2009-019	71,226
Homeland Security Grant Program (Fire Dept)	97.067	2008-0006 & 2009-019	36,374
Homeland Security Grant Program (Police Dept)	97.067	2010-0085	15,998
Program subtotal			<u>248,718</u>
State of California			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA Disaster #162	<u>79,469</u>
Total Department of Homeland Security Pass-Through Programs			<u>474,358</u>
Department of Energy Direct Program			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC00002596	<u>618,046</u>
Department of Institute of Museum and Library Services Pass-Through Programs From:			
State of California			
Grants to States (Library Service and Technology Act)	45.310	40-7665	<u>7,227</u>
Department of Commerce Pass-Through Programs From:			
State of California			
Public Safety Interoperable Communications Grant Program (Calera Instructor Training)	11.555	6005	<u>13,251</u>
Total Expenditures of Federal Awards			<u><u>\$11,798,654</u></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, 2011

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

The federal expenditures presented in the Schedule include federal awards to subrecipients.

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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**

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, 2011, and have issued our report thereon dated November 21, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and a paragraph discussing the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the City of Roseville is responsible for establishing and maintaining effective 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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. 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. We have identified certain deficiencies we consider to be significant deficiencies in internal control over financial reporting. These are listed as items in our separately issued Memorandum on Internal Control dated November 21, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about the whether City 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which we have communicated in our separately issued Memorandum on Internal Control dated November 21, 2011.

We have also issued a separate Memorandum on Internal Control dated November 21, 2011 which is an integral part of our audits and should be read in conjunction with this report.

The City's response to the findings identified in our audit is described in the Memorandum on Internal Control. We did not audit the City's response and, accordingly, we express no opinion on it.

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.

Mane & Associates

November 21, 2011

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON 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 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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. 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, 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.



February 17, 2012