

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

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SINGLE AUDIT REPORT  
For The Year Ended June 30, 2009**

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**CITY OF RICHMOND**  
**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?  X  Yes   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: Qualified

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  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>11.307</u>                           | <u>Department of Commerce, Economic Development Administration – Economic Adjustment Assistance</u>             |
| <u>14.218</u>                           | <u>Department of Housing and Urban Development – Community Development Block Grant</u>                          |
| <u>14.239</u>                           | <u>Department of Housing and Urban Development – Home Investment Partnership Program</u>                        |
| <u>17.258, 17.259, 17.260 (Cluster)</u> | <u>Department of Labor – Workforce Investment Act – Adult Program, Youth Activities, and Dislocated Workers</u> |
| <u>20.205</u>                           | <u>Department of Transportation – Highway Planning and Construction</u>   |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   Yes  X  No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies, material weaknesses, but no instances of noncompliance material to the basic financial statements. We have communicated the significant deficiencies and material weaknesses along with other matters in a separate Memorandum on Internal Control dated December 17, 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 disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

### **Finding 09-01: Subrecipient Monitoring**

**Program Affected:** Department of Housing and Urban Development – Community Development Block Grant, CFDA # 14.218

*Criteria:* The City's standard agreement with its subrecipients indicates that the subrecipients are to file quarterly progress reports. OMB Circular A-133 section .400(d)(3) requires that if a grant is passed through to a subrecipient, the City must monitor the activities of the subrecipient to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

*Condition:* We selected six subrecipients for testing of compliance with the OMB Circular A-133 monitoring requirements and compliance with the City's subrecipient agreements and noted the following:

- Two subrecipients did not file the required quarterly reports for the entire fiscal year.
- One subrecipient did not file the 3<sup>rd</sup> and 4<sup>th</sup> quarter reports.
- One subrecipient did not file the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter reports.
- One subrecipient that included three programs did not file the 3<sup>rd</sup> and 4<sup>th</sup> quarter reports for two of the programs and did not file the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter reports for one of the programs.

The City did not monitor the subrecipients to ensure compliance with the agreement performance reporting requirements.

*Effect:* The City is not in compliance with the pass-through entity requirements of OMB Circular A-133 and the requirements of its agreements with its subrecipients.

*Cause:* City staff indicated that the reporting requirements for some of the subrecipients may have changed and the reporting requirements for some subrecipients may be less than quarterly since the funded activities may not occur every quarter. However, the subrecipient agreements were not amended and do not include a provision for reporting in only the quarters in which services were performed.

*Recommendation:* The City should monitor its subrecipients to ensure they are in compliance with the subrecipient agreement reporting requirements. In the event the reporting requirements have been changed, or reporting less than quarterly is required, the City should ensure that the subrecipients are notified of the change, documentation of the revision is maintained in the subrecipient file, and agreements are modified as necessary.

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

### **Finding 09-01: Subrecipient Monitoring (Continued)**

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The Program Manager in charge of the contract to the subrecipient will co-ordinate with the Contract Administrator to ensure the amendment to the contract states how many monitoring(s) the subrecipient will supply during the course of the contract. The Program Manager will meet with the Community Development Block Grant Assistant Manager to ensure all monitoring(s) take place during the contract duration.

### **Finding 09-02: Accurate Preparation and Review of IDIS Financial Summary Report**

**Program Affected:** Department of Housing and Urban Development – Community Development Block Grant, CFDA # 14.218

*Criteria:* The City is required to file an annual Financial Summary Report (PR26) 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, the PR26 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 PR26 for the program year 2008, which includes the activity for fiscal year 2009, reported a zero balance on line 01, Unexpended CDBG Funds at End of Previous Program Year, and a zero balance on line 05, Current Year Program Income, however the balances should have been \$1.1 million and \$123 thousand, respectively. In addition, line 15 of the PR26, Total Expenditures, did not agree to the City's actual program year expenditures by \$62 thousand due to the coding of a program draw down as a prior year, rather than current year expenditure. Both line 01 and line 05 feed into other calculations in the PR26, and line 15 feeds into the calculation of the ending unexpended balance to be used on the subsequent year's PR26.

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

*Cause:* Due to attrition of CDBG/HOME staff and the IDIS system converting from a DOS based system to an internet based reporting and draw down system, current staff is still becoming familiar with the new system.

*Recommendation:* The City should ensure that all reports filed with the awarding agency are reviewed for accuracy and approved by someone other than the preparer. Those reports should be reconciled with the activity in the City's general ledger to further ensure accuracy.

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The City of Richmond/Redevelopment Agency has a HUD/IDIS consultant to train staff on the steps needed in the new system to properly generate all necessary HUD reports and to enhance the City of Richmond/Redevelopment Agency existing reports. The City of Richmond/Redevelopment Agency staff is in the process of developing more accurate drawdown schedules for faster drawdown of funds and staff is working with the consultant to develop better backup documentation for reporting requirements.

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

### **Finding 09-03: Accurate Preparation and Review of Reimbursement Requests**

**Program Affected:** Department of Transportation – Highway Planning and Construction, CFDA# 20.205  
(Passed through the California Department of Transportation)

*Criteria:* The City should submit accurate reimbursement requests for expenses incurred and paid during the course of the grant period authorized by the awarding agency. The California Department of Transportation requires that reimbursement requests include cumulative data for each grant, so that grant drawdowns are only requested for the change in cumulative federal expenditures. Each grant reimbursement request should be reviewed by a person other than the preparer to ensure that all amounts included are accurate and eligible.

*Condition:* During our tests of reimbursement requests for the Transportation for Livable Communities Richmond Transit Station project we found that the City had also requested drawdown of funds for the Congestion Management portion of the project. However, these Congestion Management funds in the amount of \$161,190 had already been reimbursed by the grantor in a prior fiscal year. Although the grantor denied reimbursement of the duplicate request, the City's review procedures did not provide for the discovery and correction of this error.

*Effect:* The City requested reimbursement of costs from the grantor twice which provided for the potential reimbursement of ineligible amounts from the grantor.

*Cause:* The Finance Manager of the Richmond Community Redevelopment Agency prepared and signed the reimbursement request and then the Director of Engineering reviewed and signed this request before submittal to the Department of Transportation. During this process neither individual noticed that the same amount was submitted twice on two different invoices.

*Recommendation:* The City should revise its procedures for preparation of reimbursement requests to ensure they include an in depth review of the request to make sure that only eligible costs are included on the reimbursement request. The performance of this review should be documented in the applicable grant files.

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The City of Richmond/Redevelopment Agency will enhance the procedure for preparation of reimbursement requests as follows: The Project Manager (or Senior Accountant if the Project Manager is unavailable) will prepare the reimbursement request and necessary backup. This reimbursement request, along with the previous reimbursement request, will be given to the Finance Manager of the Richmond Community Redevelopment who will review and sign the request. The reimbursement request(s) will then be given to the Director of Engineering for their review and signature before submittal to the Department of Transportation.

### **Finding 09-04: Certification of Accounting System**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II (C)(2)(a)(ii) of the Economic Adjustment Assistance Grant Agreement and the Loan Requirements section of the OMB Circular A-133 Compliance Supplement for the program require that within sixty days prior to the initial disbursement of EDA funds, the City certify to the EDA and to recipients of the grant funding that the City's accounting system is adequate to identify, safeguard and account for all Revolving Loan Funds (RLF) capital, outstanding RLF loans and other RLF operations.

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

#### **Finding 09-04: Certification of Accounting System (Continued)**

*Condition:* The City could not provide us with documentation showing that the certifications were sent to the EDA or to the recipients of the grant funding.

*Effect:* The City is not in compliance with the terms of the grant agreement and the Compliance Supplement.

*Cause:* The grant was originally awarded to the Greater Richmond Community Development Corporation (GRCDC). When this nonprofit went out of business, the City of Richmond/Redevelopment Agency continued the revolving loan fund program. A check along with the loan files were turned over to the City. The Department of Commerce – EDA was aware of the transition of the grant to the City of Richmond/Redevelopment Agency. The City of Richmond/Redevelopment Agency was not aware that they had to retain GRCDC documentation of certification or have documentation of certification for the City of Richmond/Redevelopment Agency.

*Recommendation:* Although the City was not the initial recipient of the funding, when the City receives grant funding the grant requirements should be read in detail to ensure that the City is in compliance with all applicable requirements. Any requirements that are not applicable should be documented and retained in the grant file. The City should determine whether the certifications were filed with the EDA and recipients of the grant funding. In the future, the City should also retain all documentation required by an awarding agency to show that the City is in compliance with the terms of the grant agreement and the Compliance Supplement.

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The City of Richmond/Redevelopment Agency has contacted the Department of Commerce-EDA to obtain the necessary steps to receive the certification. Also, the Department of Commerce-EDA suggested that the City of Richmond/Redevelopment Agency contact other cities in the area that have a similar program to obtain the information on the audit firms these cities used to receive their certification.

#### **Finding 09-05: Fidelity Bond Coverage for Employees**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II (C)(2)(a)(i) of the Economic Adjustment Assistance Grant Agreement states the City should have “fidelity bond coverage for persons authorized to handle funds under this Award in an amount sufficient to protect the interest of EDA and the RLF.” This coverage is to exist at all times during the duration of the Revolving Loan Fund’s (RLF) operation.

*Condition:* The City was unable to provide evidence that the City has the proper fidelity bond coverage for employees handling the grant funds associated with the RLF program.

*Effect:* The City is not in compliance with the grant program and is not protecting the assets of the awarding agency.

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

### **Finding 09-05: Fidelity Bond Coverage for Employees (Continued)**

*Cause:* The grant was originally awarded to the Greater Richmond Community Development Corporation (GRCDC). When this nonprofit went out of business, the City of Richmond/Redevelopment Agency continued the revolving loan fund program. A check along with the loan files were turned over to the City. The Department of Commerce – EDA was aware of the transition of the grant to the City of Richmond/Redevelopment Agency. The City of Richmond/Redevelopment Agency was not aware that they had to obtain fidelity bond coverage for all employees involved with the RLF program.

*Recommendation:* Although the City was not the initial recipient of the funding, when the City receives grant funding the grant requirements should be read in detail to ensure that the City is in compliance with all applicable requirements. The City should purchase the required fidelity bond coverage policies for applicable employees involved with the RLF program. In the future, the City should review all grant award documents and applicable federal regulations to ensure that it maintains compliance with all requirements.

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The City of Richmond/Redevelopment Agency has contacted the Department of Commerce-EDA to take the necessary steps to obtain fidelity bond coverage. Also, the Department of Commerce-EDA stated that the City of Richmond/Redevelopment Agency attorney(s) should know how to obtain fidelity bond coverage. The City of Richmond/Redevelopment Agency staff and attorney(s) are in the process of obtaining the fidelity bond coverage.

### **Finding 09-06: Accurate and Complete Preparation of Special Reports**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II H of the Economic Adjustment Assistance Grant Agreement and the OMB Circular A-133 Compliance Supplement require the City to submit a semi annual report (ED-209S) to the EDA. Part II H of the Grant Agreement also requires that the ED-209S include a Core Performance Measures report.

*Condition:* We reviewed the financial and loan information included in the City's ED-209S report for the period ending September 30, 2009 and noted that the reconciliation of the activity reported to the City's June 30, 2009 general ledger and found that it contained errors as follows:

- Section II A, line 9 (RLF \$\$ Loaned for Industrial, Commercial, Service) reported the incorrect balances for these loan segments and therefore line 9 did not agree to lines 6/7 and line 8.
- Section III D, line 17 (Current Balance Available) is supposed to be the difference of line 14 (RLF Base Capital) and line 15 (RLF Principal Outstanding on Loans). While the balance on Line 17 of the reconciliation agreed to the bank balance at June 30, 2009 of \$184,079, it did not agree to the difference between lines 14 and 15 as shown on the reconciliation which netted to \$159,866 due to the exclusion of matured interest receivable on loans of \$24,709 that was not reported on the reconciliation and an unreconciled difference of \$496.

In addition, the City did not include the required Core Performance Measures report with the ED-209S.

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

### **Finding 09-06: Accurate and Complete Preparation of Special Reports (Continued)**

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

*Cause:* The schedule used to prepare Section II A of the ED-209S contained a formula error that resulted in the incorrect reported amount. The City of Richmond/Redevelopment Agency did not reconcile the Sept 30, 2009 ED-209S Semiannual report to the June 30, 2009 general ledger in a timely manner to ensure complete and accurate information was reported to the awarding agency. The current City of Richmond/Redevelopment Agency program manager for this grant was not aware of the requirement of the filing of the Core Performance Measures report with ED-209S

*Recommendation:* The City should ensure that all reports filed with the awarding agency are reviewed for accuracy and approved by someone other than the preparer. Those reports should be reconciled with the activity in the City's general ledger to further ensure accuracy.

#### ***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

The program manager and senior accountant of the City of Richmond/Redevelopment Agency will prepare the ED-209S semiannual reports. The ED-209S semiannual report and general ledger backup will be given to the City of Richmond/Redevelopment Agency Finance Manager for review before submittal to the Department of Commerce-EDA.

Please note: The Sept 30 ED-209S semiannual report will have general ledger backup for Sept 30 and a reconciliation to June 30 with the submittal to the City of Richmond/Redevelopment Agency Finance Manager.

The City of Richmond/ Redevelopment Agency program manager will contact the Department of Commerce-EDA to ensure that the Core Performance Measures report is included with future submittals of the ED-209S semiannual report.

### **Finding 09-07: Annual Filing of HUD 60002 Performance Report**

**Program Affected:** Department of Housing and Urban Development – Home Investment Partnerships Program CFDA # 14.239

*Criteria:* Section L(2) Performance Reporting of the OMB Circular A-133 Compliance Supplement for the HOME Investment Partnerships Program requires the annual filing of the HUD 60002 Section 3 Summary Report.

*Condition:* The City did not file a HUD 60002 report for fiscal year 2009. The City only files the HUD 60002 report at the end of applicable construction projects.

*Effect:* The City is not in compliance with the performance reporting requirements of the Compliance Supplement.

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

**Finding 09-07: Annual Filing of HUD 60002 Performance Report (Continued)**

*Cause:* Although City of Richmond/Redevelopment Agency Development Project Managers are aware of the submittal of the HUD 60002 Section 3 Summary Report, due to the infrequency of projects receiving more than \$200,000 in housing and community development assistance they were submitting this report upon completion of construction projects.

*Recommendation:* The City should ensure that all performance reports are filed on an annual basis in accordance with the requirements of the Compliance Supplement.

***Corrective Action Plan:***

Name of contact person: Nickie Mastay, RCRA Finance & Administration Manager, (510) 307-8010

All Development Project Managers that have projects receiving more than \$200,000 in housing and community development assistance will be given a copy of HUD 60002 Section 3 Summary Report that is to be filed on an annual basis. At the end of the fiscal year, the Community Development Block Grant Assistant Manager will coordinate with the Development Project Manager to ensure annual filing of this report.

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

Prepared by Management

### Financial Statement Prior Year Findings

There were financial statement findings reported in the prior year which we have communicated in a separate Memorandum on Internal Control dated December 17, 2009 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 08-01: Planning and Administrative Expenditure Limitation (Earmarking)

**Program Affected:** Department of Housing and Urban Development – Community Development Block Grant (CDBG), CFDA #14.218

*Criteria:* The OMB Circular A-133 Compliance Supplement, Agency Compliance Requirements, for this program require that funds obligated for planning and administrative costs during the program year must not exceed 20% of the grant money received plus 20% of the program income received during the program year.

*Condition:* The IDIS C04PR26 Financial Summary report and reconciliation report provided by City staff indicated that the funds obligated for planning and administrative costs during the program year were 23.83%.

*Effect:* The City is not in compliance with the Compliance Supplement.

*Cause:* The IDIS C04PR26 Financial Summary report shows the cumulative obligations of funds for current and prior years. This report is being reconciled to reflect carry over administrative funds from prior years (“unliquidated obligations”) instead appearing in one program year.

*Recommendation:* The City should review program expenditures to ensure the composition of expenditures is in compliance with Program requirements and limitations. In addition, when financial and program reports are prepared and submitted to the grantor, the City should ensure that all data is correct, reconciled to underlying records, and in compliance with Program limitations.

#### **Management’s Response:**

Currently the IDIS C04PR26 Financial Summary report is being reconciled to reflect administrative costs in prior years (“unliquidated obligations”). In the report reviewed by Maze & Associates, the reconciliation was not made. The City of Richmond/Redevelopment Agency is submitting a revised report with unliquidated obligations of \$213,585.47 which will equate to a planning & administrative obligation of 16.67%.

#### **Current Status:**

The IDIS C04PR26 Financial Summary report reflects carry over administrative funds from prior years as unliquidated obligations. The City continues to adhere to this process and by doing so, this will reflect planning & administrative obligations not to exceed 20% of the grant money received plus 20% of the program income received during the program year.

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

Prepared by Management

### **Finding 08-02: Subrecipient Disbursement to Incorrect Vendor Name**

**Program Affected:** Department of Housing and Urban Development – Community Development Block Grant (CDBG), CFDA #14.218

*Criteria:* Disbursements under the CDBG program should be made only to program vendors and subrecipients awarded contracts under the grant program.

*Condition:* We selected 11 subrecipient disbursements for testing of supporting documentation and found that one disbursement related to the subrecipient for the Richmond We Care Program was paid to the name of a company owner (Donald Hasan), rather than being paid to the company with which the City had the subrecipient agreement (Hasan Painting and Decorating).

*Effect:* Payments to the incorrect vendor could result in incorrect reporting of program expenditures and compliance issues with the subrecipient agreement.

*Cause:* The Purchase requisition for the subrecipient agreement was encumbered under the wrong vendor number in the Accounts Payable system (the owner's vendor number, rather than the company/subrecipient).

*Recommendation:* Program staff should ensure that all disbursements are made to the correct vendor. Encumbrances of program funding should be reviewed by a second employee to ensure that the encumbrance is for the correct program vendor.

#### **Management's Response:**

The City recognizes the fact that it has a subrecipient agreement with Hasan Painting and Decorating associated with the Richmond We Care Program and as such, disbursements paid under this agreement have always been made payable to Hasan Painting and Decorating since 2003. Unfortunately, an honest mistake was committed when the purchase requisition was encumbered under the vendor number Donald Hasan, rather than Hasan Painting and Decorating and all payments during fiscal year 2007-2008 were made to the incorrect vendor number. For fiscal year 2008-2009 the funds were encumbered under the correct vendor number and checks are being made payable to Hasan Painting and Decorating. A request has been made to cancel the incorrect vendor number to prevent any mistakes in the future. Currently, the vendor number is assigned when a purchase requisition is created in the system by the Redevelopment Specialist. After the purchase requisition is created, the Finance Manager reviews all of the information and releases the purchase requisition for assignment to a Purchase Order. The Contract Administrator reviews all information and then assigns a Purchase Order number.

#### **Current Status:**

Implemented

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

Prepared by Management

### **Finding 08-03: Cash Management and Vendor Payment After Grant Advance Deadline**

**Program Affected:** Department of Homeland Security – Transportation Security Administration Port Security Grant Program, CFDA # 97.056

*Criteria:* The City should submit reimbursement requests for expenses incurred and paid during the course of the grant period authorized by the awarding agency. Section I, Method of Payment, of the grant agreement allows the City to request grant advances to cover “only expenses anticipated over the next 30 days”.

*Condition:* The City submitted a request for advance of \$258,280 in June 2008 for work performed in March 2008 and billed by the vendor in May 2008, but the City did not pay the vendor for the services until February 2009, which was well after the 30 day advance allowance.

*Effect:* The City could be required to return excess grant funding to the grantor, or pay the grantor for interest earned on the advanced funds, since the City had not paid the costs that were being charged to the grant within the 30 day limitation.

*Cause:* The City was told by the grantor that they had ninety days after the grant expiration date (March 8, 2008) to submit for reimbursement, but the vendor invoice was not processed for payment prior to submitting for reimbursement due to the change from one general ledger system to another.

*Recommendation:* The City should ensure that when grant advances are requested, the related program disbursements occur within the program time limitations. If the program expenditure deadline will not be met, the City should communicate with the grantor to determine the steps that should be taken to remain in compliance. In addition, the City should determine whether the interest earned on the unspent grant advance was used for grant purposes or work with the grantor to determine whether the interest earnings need to be returned to the grantor.

#### **Management’s Response:**

All the equipment was completely installed by March 1, 2008 however we did not receive all invoices prior to the date. We consulted with the granting agency prior to start work and were told that we had ninety days after the grant expiration date to submit for reimbursement. One of the invoices did not get processed prior to submitting for reimbursement due to the change over from SAP to MUNIS. We did not find out such discrepancy until later.

The Port received the final invoice from ADT in the amount of \$258,280.34 and submitted a reimbursement request to the Department of Homeland Security – Transportation Security Administration Port Security Grant Program on 6/3/2008. The final invoice was for all work completed by March 1, 2008 and was goods-receipted and submitted to finance on 6/2/2008. It was later identified that the invoice was lost in the process. The Port and Finance department made every effort to expedite payment in the new MUNIS system in order to comply with grant.

The new MUNIS system allows better reporting tools in order to monitor outstanding goods-receipts on a monthly basis.

#### **Current Status:**

The City has not yet resolved this matter with the grantor, however the new MUNIS system allows better reporting tools in order to monitor outstanding good-receipts on a monthly basis.

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

Prepared by Management

### **Finding 08-04: Timely Filing of Quarterly, Performance, Financial Status and Final Reports**

**Program Affected:** Department of Homeland Security – Transportation Security Administration Port Security Grant Program, CFDA # 97.056, Urban Areas Security Initiative Program (Passed through the State of California Office of Homeland Security), CFDA # 97.008, and the Department of Homeland Security Assistance to Firefighters Grant, CFDA # 97.044

*Criteria:* Section M, Reporting Requirements, of the Port Security Grant Agreement requires that the City electronically submit quarterly performance (technical) reports on the last day of the month following the completion of the quarter, and submit the final Financial Status Report (SF-269-A) and the final Performance (Technical) Report within 90 days after completion of the project. The Notification of Subgrantee Application Approval for the Urban Areas Security Initiative Program requires that semi-annual performance reports be filed for the grant. Article VII, Financial Reporting, of the Assistance to Firefighters Grant requires the filing of a Final Financial Status Report within 90 days of the performance period.

*Condition:* The quarterly reports for the Port Security Grant Agreement appear to have been filed electronically, but the City could not provide documentation of the dates filed. And, the project was completed on March 1, 2008, but the City did not file the final Financial Status Report or Performance Report with the grantor until November 7, 2008, well after the required time period required by the grant.

City staff indicated that the quarterly reports for the Urban Areas Security Initiative Program were not filed, and only the final report was filed. However, City staff was not able to provide a copy of the final report and documentation that the report filing was timely.

The final report for the Assistance to Firefighters Grant was due on July 31, 2008, but the report was not filed until November 18, 2008, well beyond the 90 day limit.

*Effect:* The City is not in compliance with the grant requirements, which could jeopardize grant funding.

*Cause:* Port Security - The Final Status report was completed on-line on July 2008, but the system didn't save the report, therefore the City's grantor helped them complete the Final Report on November 2008.  
Urban Areas Security Initiative Program – The Port accountant did not retain documentation of the report filings.

Assistance to Firefighters – The Project Manager did not monitor report filing deadlines.

*Recommendation:* The City should establish procedures to monitor all grant requirements to ensure the City is in compliance with all aspects of the grant agreements. In addition, documentation of filing dates should be retained in the grant files to ensure the City can demonstrate compliance with the requirements.

### **Management's Response:**

Port Security - The Port accountant will monitor the grant financial reports for future grants.

Urban Areas Security Initiative Program – The Port accountant will monitor the grant financial reports for future grants.

Assistance to Firefighters – The Project Manager will monitor the grant financial reports for future grants to insure financial reports are delivered on time in the future.

### **Current Status:**

Port Security - The Port is monitoring all the financial reports, progress reports and emails in order to comply with deadlines.

Urban Area Security Initiative Program and Assistance to Firefighters - The Grant's Manager is working with Project Managers to monitor the grant financial reports and ensure financial reports are delivered on time.

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

Prepared by Management

**Finding 08-05: Segregation of Program/Project Expenditures by Grant and Detail of Program/Project Expenditures to Determine Allowable Costs**

**Programs Affected:** Department of Homeland Security – Transportation Security Administration Port Security Grant Program, CFDA # 97.056 and Urban Areas Security Initiative Program (Passed through the State of California Office of Homeland Security), CFDA # 97.008

*Criteria:* Grant-funded expenditures must be made in accordance with the allowable cost principles of each grant agreement.

*Condition:* The City entered into a contract with ADT to provide for the installation of security cameras and lighting, including hardware and software, at the Port of Richmond. The July 2007 and February 2008 City Council approval documentation of the ADT contract indicated it was to be funded by both the Port Security Grant Program (PSG) and the Urban Areas Security Initiative Program (UASI). However, the contract with ADT indicates that it is funded only by the PSG Program. According to the individual grant agreements, the Point Potrero Marine Terminal Security Enhancement project was to be funded by the PSG Program, and the security cameras at Terminals 2 and 3 of the Port were to be funded by the UASI Program. The ADT contract included installation of security cameras for both of these projects.

We selected three ADT invoices for testing of allowability under the PSG Program and two ADT invoices for testing of allowability under the UASI Program. Of the five invoices tested, only one of the invoices indicated the specific location of the equipment on the invoice (one for the UASI Program). The other four invoices did not contain enough information for us to determine the period of service or whether they were for allowable project expenditures. City staff was unable to provide additional information for the invoices. However, after we reviewed the ADT contract we found that the invoices were based on a pre-determined billing percentage included in an Appendix of the original contract. The services detailed in the ADT contract and subsequent contract change orders appear to include allowable expenditures under the two grant programs, however the contract did not specifically itemize the equipment installed at Terminal 2 and Terminal 3 which was the only portion of the contract that was eligible to be charged to the UASI Program.

The invoices from ADT were applied to the grants by the City as follows:

| Invoice Date | Basis of Invoice Per Contract Appendix H | Charged to:        |                  | Total              |
|--------------|--|--------------------|------------------|--------------------|
|              |  | PSG                | UASI             |                    |
| 12/21/2007   | 10% of Contract                          |                    | \$239,281        | \$239,281          |
| 1/29/2008    | 50% of Contract                          | (A) \$1,050,150    |                  | 1,050,150          |
| 1/29/2008    | 50% of Contract - Term 2 and Term 3      | (A)                | 146,253          | 146,253            |
| 5/21/2008    | 30% of Contract                          | 889,647            |                  | 889,647            |
| 5/21/2008    | Final 10% of Contract                    | 258,280            |                  | 258,280            |
|              | <b>Total</b>                             | <u>\$2,198,077</u> | <u>\$385,534</u> | <u>\$2,583,611</u> |

(A) Together, these invoices total 50% of the original ADT contract

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

Prepared by Management

### **Finding 08-05: Segregation of Program/Project Expenditures by Grant and Detail of Program/Project Expenditures to Determine Allowable Costs (Continued)**

Therefore, it appeared that the UASI Program paid for the initial 10% of the contract and not just the Terminal 2 and Terminal 3 costs. However, without ADT providing detail of the amounts included in each invoice, we were not able to determine the allocation of the contract costs between the Point Potrero Marine Terminal Security Enhancement project and the security cameras at Terminals 2 and 3.

In addition, the final contract total of \$2,583,611 included a provision for a “contingency allowance” of \$45,215, but we did not initially see a change order that applied this allowance to actual project costs, even though the entire contract amount was billed by ADT, paid by the City, and applied to the grants as noted in the table above.

Subsequent to our field work, City staff obtained a letter from ADT confirming that the first two contract billings were for work specifically at Terminal 2 and 3 related to the UASI grant that was performed within the grant period. However, that letter was not obtained and provided to us until May 2009. In addition, we were provided with copies of two change orders that did apply the contract contingency amount of \$45,215 to actual project costs related to the PSG Program, but the change orders were not provided to us until June 2009.

*Effect:* Without a detailed breakdown of the individual invoices, we were initially unable to determine if the costs are allowable under each individual grant, or if the work was performed within the grant periods. Based on the information obtained and provided to us by staff subsequent to our field work, the costs do appear to be allowable under each individual grant, but we are still unable to determine that all of the work for the PSG program was performed within the grant period.

*Cause:* The contractor, ADT, submitted invoices based on the payment schedule that did not identify a specific period or equipment/location.

*Recommendation:* The City should have determined the actual share of the ADT contract costs between Point Potrero Marine Terminal Security Enhancement project and security cameras at Terminals 2 and 3 by obtaining detailed information for each ADT invoice as they were received and retaining the documentation in the City’s files. In addition, when future projects are funded by multiple grants, costs should be properly accounted for and segregated by grant program to ensure only allowable costs are charged to each grant.

#### **Management’s Response:**

After the contract with ADT was executed, the Port recognized that the payment schedule did not provide enough billing details. To ensure the work and funding source apply to the corresponding site without amending the contract, the Port staff requested the work at Terminals 2 & 3 site be performed first as reflected in the second invoice. Although the description of the first invoice indicated Contract Execution and City Receipt of Site Data, it was actually for the equipment purchased and delivered at Terminal 2 & 3 site as verified by the subsequent letter from the Project Manager of ADT.

For future contracts funded by grants, the Port will make sure that the contract and invoices will clearly identify the funding source and work completed corresponding to each funding source.

#### **Current Status:**

The Port is monitoring all the expenses related to the grants in order to comply with grants requirements and making sure that all the invoices clearly specify the funding source.

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

Prepared by Management

### **Finding 08-06: Inventory of Capital Assets Acquired with Federal Funds**

**Programs Affected:** Department of Homeland Security – Transportation Security Administration Port Security Grant Program, CFDA # 97.056 and Department of Homeland Security Assistance to Firefighters, CFDA # 97.044

*Criteria:* Common Rule A-102 requires that federally funded equipment records be maintained, a physical inventory of equipment be taken at least every two years and reconciled to equipment records, an appropriate control system be used to safeguard equipment, and equipment be adequately maintained.

*Condition:* The City has not performed a physical inventory of federally funded capital assets in the past two years.

*Effect:* The City is not in compliance with the equipment management requirements of Common Rule A-102.

*Cause:* City staff was not aware of the biennial requirement for a physical inventory of federally funded equipment.

*Recommendation:* The City should establish procedures to account for federally funded capital assets including the completion of a physical inventory at least every two years and earmarking of assets purchased with Federal funds. The City should also reconcile the federally funded capital asset inventory to the City's equipment records.

#### **Management's Response:**

In order to aid Grant staff with the tracking and disposal of Fixed Assets purchased with Federal Grants funds, the AIF (Asset Information Form) will be revised to indicate a Grant source of funding code. Departmental staff will be responsible for indicating on the form before submitting to the Finance Accounting staff that an asset has been purchased using Federal \$\$\$. In order to facilitate Grant staff with reporting requirements; user defined codes will be set-up in the fixed assets module to identify those particular assets as indicated on the form. Once disposed of, the Department staff will be responsible for notifying the accounting staff and Grant staff that the equipment has been disposed of. The City has appropriated monies in the 09/10 budget for a City-wide inventory.

#### **Current Status:**

The AIF (Asset Information Form) has been revised to indicate a Grant source of funding code for Capital Assets. Departments are responsible for filling out the AIF and submitting it to the Fixed Asset Accountant.

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

Prepared by Management

### **Finding 08-07: Subrecipient Agreement with the Richmond Museum Association**

**Program Affected:** Department of Transportation Highway Planning and Construction (passed through the California Department of Transportation) – Red Oak Victory Project, CFDA #20.205

*Criteria:* Circular A-133 section .400 (d)(2) requires that if a grant is passed through to a subrecipient, the City must advise the subrecipient of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements, and any supplemental requirements imposed by the City, as well as ensure the subrecipient has complied with federal regulations including Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. This communication is usually in the form of a subrecipient agreement that contains the necessary requirements.

*Condition:* The City passed through one of the Department of Transportation grants to the Richmond Museum Association, to assist with the restoration of the Red Oak Victory ship, but did not enter into a subrecipient agreement with the Richmond Museum Association.

*Effect:* The City is not in compliance with the pass-through entity requirements of OMB Circular A-133.

*Cause:* The City was unaware that a subrecipient agreement was not in place.

*Recommendation:* The City should establish a subrecipient agreement with the Richmond Museum Association and include the applicable compliance provisions. Also, if applicable, the City should review a copy of the subgrantee's Single Audit report to ensure the funds were expended in accordance with grant requirements and related rules and regulations. In the future, the City should ensure that it establishes a subrecipient agreement for all subgrants that clearly communicates the compliance responsibilities for the subgrantee, including monitoring procedures, in accordance with the provisions of Circular A-133 section .400 (d)(2).

#### **Management's Response:**

In the future, the Project Manager will make sure that all subrecipient agreements are in place.

#### **Current Status:**

Project Managers review their grant documents to see if subrecipient agreements are needed. A subrecipient agreement has not been established with the Richmond Museum Association.

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

Prepared by Management

### **Finding 08-08: Certification of Accounting System**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II (C)(2)(a)(ii) of the Economic Adjustment Assistance Grant Agreement and the Loan Requirements section of the OMB Circular A-133 Compliance Supplement for the program require that within sixty days prior to the initial disbursement of EDA funds, the City certify to the EDA and to recipients of the grant funding that the City's accounting system is adequate to identify, safeguard and account for all Revolving Loan Funds (RLF) capital, outstanding RLF loans and other RLF operations.

*Condition:* The City could not provide us with documentation showing that the certifications were sent to the EDA or to the recipients of the grant funding.

*Effect:* The City is not in compliance with the terms of the grant agreement and the Compliance Supplement.

*Cause:* The grant was originally awarded to the Greater Richmond Community Development Corporation (GRCDC). When this nonprofit went out of business, the City of Richmond/Redevelopment Agency continued the revolving loan fund program. A check along with the loan files were turned over to the City. The Department of Commerce – EDA was aware of the transition of the grant to the City of Richmond/Redevelopment Agency. The City of Richmond/Redevelopment Agency was not aware that they had to retain GRCDC documentation of certification or have documentation of certification for the City of Richmond/Redevelopment Agency.

*Recommendation:* Although the City was not the initial recipient of the funding, when the City receives grant funding the grant requirements should be read in detail to ensure that the City is in compliance with all applicable requirements. Any requirements that are not applicable should be documented and retained in the grant file. The City should determine whether the certifications were filed with the EDA and recipients of the grant funding. In the future, the City should also retain all documentation required by an awarding agency to show that the City is in compliance with the terms of the grant agreement and the Compliance Supplement.

#### **Management's Response:**

The City of Richmond/Redevelopment Agency will contact the Department of Commerce – EDA to determine if the Department of Commerce – EDA has documentation of the certification. If there is documentation of certification, the City of Richmond/Redevelopment Agency will get a copy of the certification. If there is not documentation of certification, the City of Richmond/Redevelopment Agency will follow the necessary steps to obtain the certification.

#### **Current Status:**

The City of Richmond/Redevelopment Agency, upon the suggestion of the Department of Commerce-EDA, is contacting other cities in the area that have a similar program to obtain information on the audit firms these cities used to receive their certification. After the City of Richmond/Redevelopment Agency obtains the information on the audit forms, the City of Richmond/Redevelopment Agency will then obtain the certification.

See also Finding 09-04.

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

Prepared by Management

### **Finding 08-09: Fidelity Bond Coverage for Employees**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II (C)(2)(a)(i) of the Economic Adjustment Assistance Grant Agreement states the City should have “fidelity bond coverage for persons authorized to handle funds under this Award in an amount sufficient to protect the interest of EDA and the RLF.” This coverage is to exist at all times during the duration of the Revolving Loan Fund’s (RLF) operation.

*Condition:* The City was unable to provide evidence that the City has the proper fidelity bond coverage for employees handling the grant funds associated with the RLF program.

*Effect:* The City is not in compliance with the grant program and is not protecting the assets of the awarding agency.

*Cause:* The grant was originally awarded to the Greater Richmond Community Development Corporation (GRCDC). When this nonprofit went out of business, the City of Richmond/Redevelopment Agency continued the revolving loan fund program. A check along with the loan files were turned over to the City. The Department of Commerce – EDA was aware of the transition of the grant to the City of Richmond/Redevelopment Agency. The City of Richmond/Redevelopment Agency was not aware that they had to obtain fidelity bond coverage for all employees involved with the RLF program.

*Recommendation:* Although the City was not the initial recipient of the funding, when the City receives grant funding the grant requirements should be read in detail to ensure that the City is in compliance with all applicable requirements. The City should purchase the required fidelity bond coverage policies for applicable employees involved with the RLF program. In the future, the City should review all grant award documents and applicable federal regulations to ensure that it maintains compliance with all requirements.

#### **Management’s Response:**

The City of Richmond/Redevelopment Agency will contact the Department of Commerce – EDA to determine the necessary steps to take to obtain fidelity bond coverage for all persons authorized to handle funds for this grant. The City of Richmond/Redevelopment Agency will review all grant award documentation and regulations to ensure compliance with all requirements.

#### **Current Status:**

The City of Richmond/Redevelopment Agency staff and attorney(s) are in the process of obtaining the fidelity bond coverage.

See also Finding 09-05.

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

Prepared by Management

### **Finding 08-10: Accurate Preparation of Special Reports**

**Program Affected:** Department of Commerce – Economic Development Administration (EDA)  
Economic Adjustment Assistance, CFDA # 11.307

*Criteria:* Part II H of the Economic Adjustment Assistance Grant Agreement and the OMB Circular A-133 Compliance Supplement require the City to submit a semi annual report (ED-209S) to the EDA.

*Condition:* We reviewed the financial and loan information included in the City's ED-209S report for the period ending September 30, 2008 and reconciliations of the activity reported to the City's June 30, 2008 general ledger and found that it contained a number of errors as follows:

1. Line 1-A-6 indicated 13 active loans, but the City had 15 active loans at September 30, 2008 and 14 active loans at June 30, 2008.
2. Section III A, lines 3 and 4 (RLF Funding Status) did not include interest income and bank deposits totaling \$49,949.
3. Section III B, line 7 (Program Income Earned to Date) did not include one loan origination fee in the amount of \$600.
4. Section III C, line 14 (Status of RLF Capital) did not include the bank balance of \$224,784.
5. Section III D, line 19 (Current Balance Available for New Loans) did not include the bank balance of \$224,784.
6. Section III D, line 20 (Current Balance Available as a Percent of RLF Base Capital) was reported as zero but should have been 29%, because the base capital amount on line 19 did not include the bank balance, as noted above.

In addition, the Program Supplement indicated the presence of a Section V in the semi-annual report which includes reporting of program income activity, but the City's September 30, 2008 report did not contain such a section, because the City was using an outdated form.

*Effect:* The City is reporting inaccurate information to the awarding agency which could impact future grant funding.

*Cause:* The current City of Richmond/Redevelopment Agency program manager for this grant was instructed by the prior Finance Director for the City of Richmond to prepare the ED-209S. The instructions did not include reconciliation with the finance division of the City of Richmond/Redevelopment Agency.

*Recommendation:* The City should ensure that all reports filed with the awarding agency are reviewed for accuracy and approved by someone other than the preparer. Those reports should be reconciled with the activity in the City's general ledger to further ensure accuracy. In addition, the City should ensure that it is always using the current version of required reporting forms.

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

Prepared by Management

### **Finding 08-10: Accurate Preparation of Special Reports (Continued)**

#### **Management's Response:**

Effective immediately, there will be a reconciliation involving the program manager that prepares the ED-209S and the finance division of the City of Richmond/Redevelopment Agency. This will increase the accuracy of the ED-209S and the SF272 reporting requirements to the Department of Commerce – EDA. In the future, the Department of Commerce – EDA will require online reporting for the ED-209S and the SF272 on their website. Since the reporting will be online, we will be using the most current version of the reports. Please note: The City of Richmond/Redevelopment Agency has been sent a letter from the Department of Commerce - EDA stating that the September 30, 2009 date may be the date for online reporting. The City of Richmond/Redevelopment Agency will also be checking the Department of Commerce – EDA website for updated reports and when the online reporting will take effect.

#### **Current Status:**

The City of Richmond/Redevelopment Agency adheres to the process of reconciliation between the program manager and the finance division. The City of Richmond/Redevelopment Agency has been in contact with the Department of Commerce-EDA and has monitored the Department of Commerce-EDA website for online reporting. As of September 30, 2009 the online reporting system had not “gone live” on the website. The City of Richmond/Redevelopment Agency has submitted a “hard copy” semiannual report for September 30, 2009. The City of Richmond/Redevelopment Agency will continue to contact the Department of Commerce-EDA and monitor their website for the online reporting capability.

### **Finding 08-11: Accurate Preparation of the Schedule of Expenditures of Federal Awards**

**Programs Affected:** Department of Transportation Highway Planning and Construction (passed through the California Department of Transportation) – Red Oak Victory Project, CFDA #20.205, the Department of Commerce – Economic Development Administration (EDA) Economic Adjustment Assistance, CFDA # 11.307, and the Department of Homeland Security Assistance to Firefighters, CFDA # 97.044

*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:* The City did not report expenditures of Federal awards for the Highway Planning and Construction Program's Red Oak Victory Project for fiscal years 2006 and 2007 in those SEFA's. The City did not report expenditures of Federal awards for the Assistance to Firefighters grant for fiscal year 2007 on that SEFA. The program expenditures from 2006 and 2007 for these two programs are being reported in the June 30, 2008 SEFA.

The City did not include the Economic Development Administration Economic Adjustment Assistance Revolving Loan Fund program grant in the prior year or current year SEFA until it was notified by the U.S. Department of Commerce in March 2009 that the program had been excluded from the prior year SEFA.

*Effect:* Excluding annual program expenditures from the SEFA not only misstates the balance of the SEFA, it results in the City being out of compliance with the requirements of individual grant agreements and OMB Circular A-133. As a result, future federal funding could be affected.

*Cause:* The Grants Manager was unaware of the prior year grant expenditures.

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

Prepared by Management

### **Finding 08-11: Accurate Preparation of the Schedule of Expenditures of Federal Awards (Continued)**

*Recommendation:* The City should develop procedures and policies to centralize the preparation of the SEFA to ensure that annual expenditures for all grant programs are included on the SEFA. In addition, all City departments should be notified that they must communicate the receipt of all grant funding to the Finance Department to ensure centralized tracking of all grant programs for Single Audit Reporting.

#### **Management's Response:**

The City's Grant Manager is working with the Finance Director to develop procedures and policies to centralize the preparation of the SEFA. Currently, the Grants Manager is meeting with all departments to communicate the importance of notifying Finance of all grant funding for tracking and reporting purposes.

#### **Current Status:**

The City's Grant Manager has met with several departments regarding the importance of notifying Finance of all grant funding. Currently, all grant information is sent to the Grant Manager to upload into a database. The Grant Manager prepares the SEFA

**CITY OF RICHMOND, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

| <u>Federal Grantor/Pass Through Grantor Program Title</u>                  | <u>Catalog of Federal Domestic Assistance Number</u> | <u>Grantor/Pass-Through Entity Grant Number</u> | <u>Program Expenditures</u> |
|--|--|---|-----------------------------|
| <b>U. S. Department of Housing and Urban Development</b>                   |  |   |                             |
| Community Development Block Grant/Entitlement Grant                        |  |   |                             |
| 2008 Program expenditures  | 14.218   | B-08-MC-06-0015                                 | \$186,333                   |
| 2007 Program expenditures  | 14.218   | B-07-MC-06-0015                                 | 378,510                     |
| 2007 Subgrants   | 14.218   | B-07-MC-06-0015                                 | 445,170                     |
| Loan program cash balance at end of year                                   | 14.218   |   | 1,859,885                   |
| ARRA - CDBG Neighborhood Stabilization Program                             | 14.218   |   | 524                         |
| Total Community Development Block Grants                                   |  |   | <u>2,870,422</u>            |
| Home Investment Partnerships Program                                       |  |   |                             |
| 2008 Program expenditures  | 14.239   | M-08-MC-060209                                  | 129,145                     |
| 2007 Program expenditures  | 14.239   | M-07-MC-060209                                  | 284,546                     |
| 2006 Program expenditures  | 14.239   | M-06-MC-060209                                  | 712,209                     |
| 2005 Program expenditures  | 14.239   | M-05-MC-060209                                  | 267,822                     |
| 2003 Program expenditures  | 14.239   | M-03-MC-060209                                  | 105,178                     |
| 2002 Program expenditures  | 14.239   | M-02-MC-060209                                  | 194,466                     |
| 1997 Program expenditures  | 14.239   | M-97-MC-060209                                  | 5                           |
| Total Home Investment Partnership Program                                  |  |   | <u>1,693,371</u>            |
| Youth Build  | 14.243   | Y-02-IM-CA-0095                                 | <u>36,857</u>               |
| Total Department of Housing and Urban Development                          |  |   | <u>4,600,650</u>            |
| <b>U. S. Department of Labor</b>   |  |   |                             |
| (Passed through the State of California Employment Development Department) |  |   |                             |
| Workforce Investment Act - Adult   | 17.258   | R970555   | 552,768                     |
| Workforce Investment Act - Adult   | 17.258   | R865477   | 90,029                      |
| Workforce Investment Act - Adult Special Projects                          | 17.258   | R760341   | 275,570                     |
| Workforce Investment Act - Adult Special Projects                          | 17.258   | R865477   | 201,215                     |
| Workforce Investment Act - Youth Activities                                | 17.259   | R970555   | 536,534                     |
| Workforce Investment Act - Youth Activities                                | 17.259   | R865477   | 75,720                      |
| Workforce Investment Act - Youth Activities 15% Pilot Special Project      | 17.259   | R865477   | 193,017                     |
| Workforce Investment Act - ARRA Youth Activities                           | 17.259   | R970555   | 89,611                      |
| Workforce Investment Act - ARRA Dislocated Worker Phase 1                  | 17.260   | R970555   | 33,000                      |
| Workforce Investment Act - Dislocated Worker                               | 17.260   | R970555   | 349,664                     |
| Workforce Investment Act - Dislocated Worker                               | 17.260   | R865477   | 50,250                      |
| Workforce Investment Act - Dislocated Worker Rapid Response                | 17.260   | R970555   | 112,900                     |
| Workforce Investment Act - Dislocated Worker 15% Incentive Award           | 17.260   | R865477   | 1,685                       |
| Workforce Investment Act - Dislocated Worker 15% Pilot Special Project     | 17.260   | N/A   | 20,271                      |
| Total U. S. Department of Labor  |  |   | <u>2,582,234</u>            |
| <b>U. S. Department of Justice:</b>  |  |   |                             |
| (Passed through the State of California Office of Emergency Services)      |  |   |                             |
| Project Safe Neighborhood  | 16.609   | US08027830                                      | <u>94,675</u>               |
| Total U. S. Department of Justice  |  |   | <u>94,675</u>               |

(Continued)

**CITY OF RICHMOND, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

| <u>Federal Grantor/Pass Through Grantor Program Title</u>                     | <u>Catalog of<br/>Federal Domestic<br/>Assistance Number</u> | <u>Grantor/<br/>Pass-Through<br/>Entity Grant Number</u> | <u>Program<br/>Expenditures</u> |
|---|--|--|---------------------------------|
| <b>U.S. Department of Transportation</b>                                      |  |  |                                 |
| (Passed through the State of California, Department of Transportation)        |  |  |                                 |
| Highway Planning and Construction   |  |  |                                 |
| Red Oak Victory Ship  | 20.205   | STPLEE-5137 (030)  | 373,898                         |
| Richmond Greenway   | 20.205   | CML-5137(035)  | 307,617                         |
| Congestion Management - Richmond Transit Station                              | 20.205   | CML-5137(027)  | 11,578                          |
| Transportation for Livable Communities - Richmond Transit Station             | 20.205   | CML-5137(027)  | 834,528                         |
| Dornan Drive/Garrard Tunnel   | 20.205   | IBRL02-5137(029)   | 71,938                          |
| Safe Routes to School   | 20.205   | SRTSD04 0006   | 472                             |
| Total Highway Planning and Construction                                       |  |  | <u>1,600,031</u>                |
| (Passed through the State of California, Department of Transportation)        |  |  |                                 |
| Capital Assistance Programs for Elderly Persons and Persons With Disabilities |  |  |                                 |
| Paratransit Vehicles  | 20.513   |  | 65,031                          |
| <i>Total U. S. Department of Transportation</i>                               |  |  | <u>1,665,062</u>                |
| <b>U.S. Department of the Interior - National Park Service</b>                |  |  |                                 |
| Save America's Treasures  |  |  |                                 |
| Preserve Richmond to Interpret and Support Memories                           | 15.929   | 06-07-PA-3005  | 66,031                          |
| <i>Total U. S. Department of the Interior</i>                                 |  |  | <u>66,031</u>                   |
| <b>U.S. Department of Homeland Security</b>                                   |  |  |                                 |
| Assistance to Firefighters  |  |  |                                 |
| (Passed through the State of California Office of Emergency Services)         | 97.044   | EMW-2007-FO-07209  | 71,914                          |
| Emergency Management Performance Grant (EMPG)                                 | 97.042   | 2008-0009  | 25,000                          |
| <i>Total U.S. Department of Homeland Security</i>                             |  |  | <u>96,914</u>                   |
| <b>U.S. Department of Commerce</b>  |  |  |                                 |
| Economic Development Administration   |  |  |                                 |
| Economic Adjustment Assistance  |  |  |                                 |
| Revolving Loan Fund   | 11.307   | 07-39-2437.01  | 694,318                         |
| <i>Total U.S. Department of Commerce</i>                                      |  |  | <u>694,318</u>                  |
| <b>Total Expenditures of Federal Awards</b>                                   |  |  | <u><u>\$9,799,884</u></u>       |

See Notes to Schedule of Expenditures of Federal Awards

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**CITY OF RICHMOND**  
**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 Richmond, California and its component units as disclosed in the notes to the Basic Financial Statements, except for the Richmond Housing Authority and RHA Properties.

The Richmond Housing Authority and RHA Properties issue a separate Single Audit Report. Accordingly federal awards for the Richmond Housing Authority and RHA Properties have been excluded from the scope of this Single Audit Report.

**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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**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 Richmond, California

We have audited the financial statements of the City of Richmond as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. 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 in Internal Control dated December 17, 2009.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we have identified certain deficiencies we consider to be material weaknesses. These are listed as items in our separately issued Memorandum in Internal Control dated December 17, 2009.

### ***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 or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 17, 2009 which is an integral part of our audits and should be read in conjunction with this report.

The City's responses to the findings identified in our audit are 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 it.

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



December 17, 2009

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**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 Richmond, California

### ***Compliance***

We have audited the compliance of the City of Richmond 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III – Federal Award Findings and Questioned Costs included in the accompanying Schedule of Findings and Questioned Costs.

### ***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.

Our consideration of 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 City's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider certain deficiencies to be significant deficiencies in internal control over compliance. This is listed as item 09-03 in Section III - Federal Award Findings and Questioned Costs included in the accompanying Schedule of Findings and Questioned Costs.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

#### *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 December 17, 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.

The City's responses to the findings identified in our audit are 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 it.

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

*Mayer & Associates*

February 25, 2010