

**CITY OF RICHMOND, CALIFORNIA
SINGLE AUDIT REPORTS
JUNE 30, 2002**



Ravinder Singh & Associates
Certified Public Accountants

CITY OF RICHMOND, CALIFORNIA

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**Independent Auditors' Report
On Schedule of Federal Financial Assistance**

The Honorable Mayor and Member of the City Council
City of Richmond, California

We have audited the Schedule of Expenditures of Federal Awards of the City of Richmond, California, for the year ended June 30, 2002. This schedule is the responsibility of the City of Richmond's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the *Comptroller General of the United States*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of Federal Awards. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the amounts associated with the federal financial assistance programs of the City of Richmond, California, for the year ended June 30, 2002 on the basis of accounting described in note 2.

This report is intended for the information of the City Council, management, others within the organization, and Federal Awarding Agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading 'Ravinder Singh', is written in a cursive style.

Oakland, California
March 17, 2003

CITY OF RICHMOND, CALIFORNIA
Schedule of Expenditures of Federal Awards
for the year ended June 30, 2002

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditure</u>
Department of Housing and Urban Development:		
Direct Programs:		
Community development Block Grants/Entitlement Grants	*	\$ 2,461,273
Home Investment Partnership Program	14.239	565,678
Youth Build	14.243	237,349
Project R.E.A.L.	*	796,315
<i>Total for Department of Housing and Urban Development</i>		<u>4,060,615</u>
Department of Labor		
Direct Programs:		
Youth Offender Demonstartion Grant	*	476,408
H1B Visa Program		278,514
		<u>754,922</u>
Welfare-to-Work	*	878,027
<i>Passed through State Department of Employment Development</i>		
Welfare to Work-formula grant		366,921
		<u>1,244,948</u>
Work-force Investment Act- Title I		
WIA-Adult	*	516,655
WIA-Youth	*	754,706
WIA-Dislocated Worker	*	559,051
		<u>1,830,412</u>
<i>Total for Department of Labor</i>		<u>3,830,282</u>
Department of Justice		
Local Law Enforcement Block Grant-IV	*	330,430
Local Law Enforcement Block Grant-V		468,497
<i>Total for Department of Justice</i>		<u>798,927</u>
TOTAL FEDERAL EXPENSES		<u><u>\$ 8,689,824</u></u>

* denotes tested as major program

CITY OF RICHMOND, CALIFORNIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents all federal assistance provided to the City of Richmond (the City). The City's reporting entity is defined in Note 1 to the City's general-purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal assistance passed through other government agencies is included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditure of Federal Awards is presenting using the modified accrual basis of accounting, which is described in Note 1C to the City's general purpose financial statements.

(3) Relationship to General Purpose Financial Statements

Expenditures of federal awards are primarily reported in the City's general-purpose financial statements with general fund and special revenue funds.

**Independent Auditors' Report on Compliance with Requirements
applicable to Each Major Program and on Internal Control over
Compliance in Accordance With OMB Circular A-133**

The Honorable Mayor and Members of the City Council
City of Richmond, California

Compliance

We have audited the compliance of the City of Richmond, California (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant 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 the City's compliance in accordance with generally accepted auditing standards; 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 consider 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures described instance of noncompliance with the requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items **01-02/1, 01-02/2, 01-02/3, 01-02/4 and 01-02/5.**

**Independent Auditors' Report on Compliance with Requirements
applicable to Each Major Program and on Internal Control over
Compliance in Accordance With OMB Circular A-133 (Continued)**

Internal Control Over Compliance

The 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying scheduling of findings and questioned costs in **01-02/1, 01-02/2 and 01-02/4**. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the City Council, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Oakland, California
March 17, 2003

CITY OF RICHMOND, CALIFORNIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

I. Summary of Auditors' Results

1. The auditors' report expresses an **unqualified** opinion on the City of Richmond, California's (the City) Schedule of Expenditures of Federal Awards for the year ended June 30, 2002.
2. Reportable condition in Internal Control over major program: **Yes**.
Material Weaknesses: **No**.
3. Any audit finding which are required to be reported under section 510(a) of OMB Circular A-133: **Yes**

4. The following federal awards were tested as major programs:

Program	Federal CFDA Number	Expenditure
Community Development Block Grant /Entitlement Grant	14.218	\$ 2,461,273
Project R.E.A.L.	14.900	796,315
H1B Visa Program/Youth Offender Demonstration Grant	17.261	754,922
Welfare-to-Work	17.253	1,244,948
Local Law Enforcement Block Grant	16.592	798,927
<i><u>Cluster Programs</u></i>		
Workforce Investment Act (WIA)- Adult Programs	17.258	516,655
Workforce Investment Act (WIA)- Youth Programs	17.259	754,706
Workforce Investment Act (WIA)- Dislocated Workers	17.260	559,051

5. Dollar threshold used to distinguish between Types A and B programs: **\$300,000**.
6. Auditee qualifies as a low-risk auditee under section 530 of the OMB circular A-133: **No**.

II. Findings and Questioned Costs Related to Federal Awards

Finding No. 01-02/1- Workforce Investment Act-Youth activities CFDA #17.259-Allowable activity/Allowable costs

Description of Finding:

For the fiscal year ended June 30, 2002 the Employment & Training Department organized certain tours to the Southern Colleges tour during the period 11/16/01 to 11/22/01 for youth programs. The tours are unallowed activities and according unallowable cost.

Questioned Costs: \$6,384

CITY OF RICHMOND, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2002

Recommendation:

It is recommended to closely monitor the activities allowed and unallowed when charging expenses to federal funds.

Finding No. 01-02/2– Local Law Enforcement Block Grants -CFDA 16.592 -Reconciliation of expenses reported on the quarterly Financial Status Report (FSR) to the General Ledger (GL).

Description of Finding:

In accordance with OMB Circular A-133, grantees are responsible for maintaining internal control over federal programs that provide reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on each of their federal programs. A key control over a grantee's federal award programs is the performance of a reconciliation of the program expenditures, as reported to the federal agency, to the amounts recorded in the grantee's financial accounting system. To ensure that adequate controls are maintained and to ensure that all federal program expenditures are adequately supported, grantees should reconcile all federal expenditures on a regular basis to the GL.

When first testing was performed for reporting, it was noted no reconciliation reports were prepared or provided to Ravinder Singh & Associates for amounts reported on the quarterly Financial Status Report.

Questioned Costs: \$None

Recommendation:

All reports should be prepared from accounting records and should be periodically reconciled to the G/L.

Finding No. 01-02/3– Local Law Enforcement Block Grants (LLEBG)-CFDA 16.592- Period of Availability

Description of Finding:

As mentioned in finding 01-02/2 reconciliation controls are missing and grants are not reconciled to the G/L on a regular basis. The following were reported as expenses under LLEBG IV- \$42,922, V- \$58,631 & VI- \$85,573. Of the above, \$121,194 were coded & recorded as LLEBG IV expenses after 01/31/2002, which were beyond the period of availability. Additionally \$85,573 were recorded and reported as LLEBG VI expense. As per grant requirements, period of availability begins on the date the City first draws down funds, which was done on July 12, 2002. Hence for FYE 06/30/2002, no amount of expenses should have been recorded and reported as LLEBG VI grant expenses.

Question costs: LLEBG IV-\$121,194 & LLEBG VI-\$85,573

CITY OF RICHMOND, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2002

Recommendation

We recommend that Internal Control procedures be strengthened to monitor the period of availability on expenditures being charged to the grant and grants should be reconciled on a regular basis.

Finding No. 01-02/4 – Local Law Enforcement Block Grants (LLEBG)-CFDA 16.592-Reporting

Description of Finding:

In accordance with OMB Circular A-133, grantees are responsible for maintaining internal control over federal programs that provide reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on each of their federal programs. Grant reporting should be from accounting records and with proper reconciliation. We noted the reports were not prepared from accounting records, the submitted FSR were not reconciled, no adequate support were provided to the auditors for testing, and finally the reports were incomplete as it did not include all the accounts like program income which was required to be reported.

Question costs: None

Recommendation:

We recommend that Internal Control procedures be strengthened to ensure reports are prepared with adequate reconciliation to the GL. Additionally, care should be taken to ensure the reports are complete and include all the required accounts like program income, etc.

Finding No. 01-02/5: Local Law Enforcement Block Grants (LLEBG)-CFDA 16.592-Equipment Management & Equipment Inventory Listing.

Description of Finding:

In accordance with the OMB A133 and the uniform administrative requirements, the City is required to maintain an equipment inventory list, assign the equipment with a fixed asset serial number, tag it, monitor such equipment, provide information about its physical location so that auditors can inspect it, ensure adequate security from theft and misuse, etc. Such an equipment inventory was not maintained or provided to the auditor.

Questioned Costs: None

Recommendation:

The City should maintain an equipment inventory list and provide a copy to the auditors when such a list is requested.