

CITY OF RICHMOND
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF RICHMOND
SINGLE AUDIT REPORT
For The Year Ended June 30, 2016

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CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>11.307</u>	<u>Economic Adjustment Assistance</u>
<u>12.612</u>	<u>Community Base Reuse Plans, Project Grant/Cooperative Agreement</u>
<u>14.218</u>	<u>Community Development Block Grants/Entitlement Grants</u>
<u>20.205</u>	<u>Highway Planning and Construction (Federal-Aid Highway Program)</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated February 23, 2017, 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 Uniform Guidance.

Finding SA2016-001: Timely Submission of Financial Reports

CFDA number: 14.218

CFDA Title: Community Development Block Grants/ Entitlement Grants

Name of Federal Agency: Department of Housing and Urban Development

Criteria: 2 CFR part 200, Subpart F, Compliance Supplement for the Community Development Block Grant Program requires the C04PR03 Activity Summary Report to be submitted within 90 days after the end of a grantee's program year.

Condition: The City C04PR03 for program year 2015 was due by September 30, 2016. The C04PR03 provided for audit was dated October 26, 2016, and City staff was unable to provide documentation that it had been filed timely.

Effect: We were unable to determine if the City is in compliance with the financial reporting requirements of the program.

Cause: City staff is aware of the required submission deadlines, but we understand they did not retain documentation that the report had been filed timely.

Identification as a Repeat Finding: Yes, since fiscal year 2015. See prior year finding SA2015-002.

Recommendation: Although we did note the filing date for the report was a significant improvement from the prior fiscal year, the City must develop procedures to ensure that all financial and performance reports are filed on a timely basis in accordance with grant program requirements and retain documentation of the timely filing.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Direct Programs			
Community Development Block Grants/Entitlement Grants			
Program expenditures	14.218		\$1,015,533
Loan program cash balance at the end of the year	14.218		1,000,704
Neighborhood Stabilization Program 1:			
Program cash balance at the end of the year	14.218		<u>124,772</u>
Program Subtotal			<u>2,141,009</u>
HOME Investment Partnerships Program			
Loan program cash balance at the end of the year	14.239		<u>498,694</u>
Total Department of Housing and Urban Development			<u>2,639,703</u>
Department of Labor, Employment Training Administration			
Workforce Investment Act Cluster			
Pass-Through Programs From:			
State of California Employment Development Department			
Workforce Investment Act - Adult Program	17.258	K594779	1,481
Workforce Investment Act/Workforce Innovation and Opportunity Act - Adult Program	17.258	K698380	425,538
Workforce Investment Act/Workforce Innovation and Opportunity Act - Governor's Discretionary 15% VETS Accelerator 3.0	17.258	K698380	183
Workforce Investment Act/Workforce Innovation and Opportunity Act - Youth	17.259	K698380	368,244
Workforce Investment Act/Workforce Innovation and Opportunity Act -Dislocated Worker	17.278	K594779	469
Workforce Investment Act - Dislocated Worker Rapid Response	17.278	K698380	340,253
Workforce Investment Act/Workforce Innovation and Opportunity Act - Rapid Response Layoff Aversion	17.278	K698380	104,130
Workforce Investment Act/Workforce Innovation and Opportunity Act - Rapid Response	17.278	K698380	<u>28,777</u>
Total Department of Labor, Employment Training Administration			<u>1,269,075</u>
Environmental Protection Agency Direct Program			
Environmental Workforce Development and Job Training Cooperative Agreements	66.815		<u>127,516</u>
Department of Justice Direct Programs:			
Public Safety Partnership and Community Policing Grants			
COPS Grant - 5 or More Officers	16.710		<u>383,538</u>
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Mentoring Program			
East Bay Mentoring Partnership	16.726		<u>128,620</u>
Department of Justice Pass-Through Programs From:			
Contra Costa County Sheriff's Department			
Edward Byrne Memorial Justice Assistance Grant Program			
2014 JAG Grant	16.738	2014-DJ-BX-0539	87,148
Body Worn Cameras	16.738	2015-DE-BX-K011	12,013
2015 JAG Grant	16.738	2015-DJ-BX-0172	<u>785</u>
Program Subtotal			<u>99,946</u>
State of California Office of Emergency Services			
Violence Against Women Formula Grants			
Family Services VI	16.588	LE15-08-7830	92,591
Family Services (CalOES)	16.588	LE14-01-7830	<u>96,749</u>
Program Subtotal			<u>189,340</u>
Total Department of Justice			<u>801,444</u>
Department of Defense, Department of the Navy Direct Program:			
Community Base Reuse Plans, Project Grant/Cooperative Agreement			
Naval Fuel Depot Point Molate Pollution Remediation	12.612		<u>3,433,452</u>

(Continued)

CITY OF RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Transportation Pass-Through Programs From:			
Highway Planning and Construction (Federal-Aid Highway Program)			
State of California Department of Transportation			
Local Streets and Roads Preservation / Rehabilitation	20.205	STPL-5137(047)	3,030,000
Caltrans District 4 - Metrowalk	20.205	CML-5137(043)/CML-5137(039)	1,767,409
Safe Routes to School - Student Safety	20.205	SRTSD04 0006	12,589
Metropolitan Transportation Commission			
South Richmond Specific Plan & Program EIR	20.205	STPL 6084 (146)	<u>54,153</u>
Program Subtotal			<u>4,864,151</u>
Job Access and Reverse Commute Program			
Metropolitan Transportation Commission			
Job Access And Reverse Commute Program	20.516	CA-37-X177	<u>114,444</u>
Total Department of Transportation			<u>4,978,595</u>
Department of Homeland Security			
Pass-Through Programs From:			
Contra Costa County			
Emergency Management Performance Grant	97.042	013-00000	20,000
California Office of Emergency Services			
Homeland Security Grant Program	97.067	FY14 SHSGP - Project F	<u>18,520</u>
Total Department of Homeland Security			<u>38,520</u>
Institute of Museum and Library Services			
Direct Program:			
National Leadership Grant	45.312	LG-0514-0126-14	<u>132,515</u>
Pass-Through Program From:			
CALIFA			
Grants to States	45.310	40-8622	<u>9,466</u>
Total Institute of Museum and Library Services			<u>141,981</u>
Department of Commerce Direct Program:			
Economic Development Administration			
Economic Adjustment Assistance (Note 4)	11.307		<u>608,561</u>
Department of Education Pass-Through Program From:			
State of California			
Adult Education- Basic Grants to States			
Workforce Investment Act Title II	84.002	15145082103-00	<u>42,974</u>
Total Expenditures of Federal Awards			<u><u>\$14,081,821</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF RICHMOND

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016

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 federal awards of the Richmond Housing Authority. Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 – INDIRECT COST ELECTION

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – EDA REVOLVING LOAN GRANT

The calculation of expenditures of federal awards for the Economic Development Administration Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant Program follows:

Balance of RLF loans Outstanding as of June 30, 2016	\$399,971
Cash and investment balance in the RLF as of June 30, 2016	289,344
Administrative expenses paid out of RLF income during the fiscal year	5,151
Unpaid principal of all loans written off during the fiscal year	<u>0</u>
Subtotal	694,466 A
Federal share of the RLF	<u>87.63% B</u>
Expenditures of Federal Awards (A * B)	<u><u>\$608,561</u></u>

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the City Council
City of Richmond, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Richmond as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2017. Our report included emphasis of a matter paragraphs disclosing general fund cash and fund balance and other fund balances and the implementation of new accounting principles. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units RHA Properties, RHA Housing Corporation and RHA RAD LLC and the blended component unit Richmond Housing Authority (collectively Richmond Housing Authority) as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses and items 2015-01, 2015-03A, 2015-04 and 2014-02 on the Status of Prior Year Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated February 23, 2017 which is an integral part of our audits and should be read in conjunction with this report.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and items 2015-05, 2015-06, 2015-08, 2015-10, 2015-13, 2014-07, 2014-08, 2014-09, 2014-13, 2013-05, 2013-10, 2010-10 and 2010-11 on the Status of Prior Year Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated February 23, 2017 which is an integral part of our audits and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated February 23, 2017 which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mane & Associates

Pleasant Hill, California
February 23, 2017

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the City Council
City of Richmond, California

Report on Compliance for Each Major Federal Program

The City of Richmond's basic financial statements include the operations of the Richmond Housing Authority, which received \$23,305,561 in federal awards not included in the accompanying Schedule of Expenditures of Federal Awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of the Richmond Housing Authority, because it engaged other auditors to perform an audit in accordance with *Uniform Guidance*.

We have audited City of Richmond's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item SA2016-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of the City as of and for the year ended June 30, 2016. We issued our report thereon dated February 23, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maye & Associates

Pleasant Hill, California
March 24, 2017

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