

CITY OF RICHMOND
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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CITY OF RICHMOND
SINGLE AUDIT REPORT
For The Year Ended June 30, 2017

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CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified and Disclaimer (A)

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.251	Economic Development Initiative Grant
16.710	Public Safety Partnership and Community Policing Grants

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

Auditee qualified as low-risk auditee? Yes X No

(A) Our report was unmodified for governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information, but was a disclaimer of opinion for business-type activities, the aggregate discretely presented component units, and the Richmond Housing Authority Enterprise Fund as the financial statements of the Richmond Housing Authority, RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2017.

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 March 30, 2018, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings and questioned costs required to be reported in accordance with Uniform Guidance.

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Commerce Direct Program:			
Economic Development Administration			
Economic Development Initiative (EDI) Grant (Note 4)	11.307		<u>\$616,023</u>
Department of Defense, Department of Navy Direct Program:			
Community Base Reuse Plans, Project Grant/Cooperative Agreement			
Naval Fuel Depot Point Molate Pollution Remediation	12.612		<u>1,357,640</u>
Department of Housing and Urban Development Direct Programs:			
Community Development Block Grants/Entitlement Grants			
Program Expenditures	14.218		3,045,076
Loan program cash balance at the end of the year	14.218		302,984
Neighborhood Stabilization Program 1:			
Program cash balance at the end of the year	14.218		<u>124,772</u>
Program subtotal			<u>3,472,832</u>
HOME Investment Partnerships Program			
Loan program cash balance at the end of the year	14.239		<u>529,642</u>
Economic Development Initiative (EDI) Grant			
Program Expenditures	14.251		<u>1,000,000</u>
Total of Department of Housing and Urban Development			<u>5,002,474</u>
Department of Justice Direct Programs:			
Public Safety Partnership and Community Policing Grants			
Community Oriented Policing Hiring Program Grant	16.710		<u>241,462</u>
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Mentoring Program			
East Bay Mentoring Partnership	16.726		<u>20,976</u>
Department of Justice Pass-Through Programs From:			
State of California Office of Emergency Service			
Violence Against Women Formula Grants			
Family Services	16.588	LE15 08 7830	95,669
Family Services	16.588	LE16 09 7830	<u>102,277</u>
Program subtotal			<u>197,946</u>
Contra Costa County Employment and Human Services			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			
Zero Tolerance for Domestic Violence Initiative	16.590	19-984	<u>2,569</u>
Contra Costa County Sheriff's Department			
Edward Byrne Memorial Justice Assistance Grant Program			
Justice Assistance Grant 2015	16.738	2015-DJ-BX-0172	16,466
Body Worn Cameras	16.738	2015-DE-BX-K011	<u>133,645</u>
Program subtotal			<u>150,111</u>
Total Department of Justice			<u>613,064</u>

(Continued)

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Labor, Employment Training Administration			
Workforce Investment Act Cluster			
Pass-Through Programs From:			
State of California Employment Development Department			
Workforce Innovation and Opportunity Act (WIOA) - Workforce Accelerator 4.0	17.258	K7102057-1082	56,628
WIOA - Adult Formula	17.258	K7102057-201/202	297,829
WIOA - Workforce Accelerator 3.0	17.258	K698380-1059	143,685
WIOA Youth Activities Formula Grants - Youth	17.259	K7102057-307	375,585
WIOA Youth Activities Formula Grants - Youth	17.259	K8106653-301	46,368
WIOA Dislocated Worker Formula Grants - Project Hire (IV)	17.278	K698380-1072	342,622
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K7102057-292/293	33,753
WIOA Dislocated Worker Formula Grants - Dislocated Worker Formula	17.278	K7102057-501/502	226,270
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K7102057-540/541	80,661
Contra Costa County Workforce Development Board			
WIOA - East Bay Slingshot 2016-17	17.258	18-403-0	<u>60,000</u>
Cluster subtotal			1,663,401
State of California Employment Development Department			
WIA National Dislocated Worker Grants DWGs/National Emergency Grants Strom 2017 NDWG-Clean Up and Repair	17.277	K7102057-1091	<u>23,641</u>
Total Department of Labor			<u>1,687,042</u>
Department of Transportation Pass-Through Programs From:			
State of California Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)			
Cutting & Carlson Phase II	20.205	STPLR-7500 (235)	5,118
Safe Routes to School - Student Safety	20.205	SRTSD04_0006	<u>377,367</u>
Program subtotal			382,485
California Office of Traffic Safety			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Selective Traffic Enforcement Program (STEP)	20.608	PT17100	<u>62,784</u>
Total Department of Transportation			<u>445,269</u>
Institute of Museum and Library Services Programs			
Direct Program:			
National Leadership Grant	45.312		93,806
Pass-Through Program From:			
CALIFA			
Grant to States			
CENIC Broadband	45.310	40-8622	<u>17,693</u>
Total Institute of Museum and Library Services			<u>111,499</u>
Environmental Protection Agency Direct Program:			
Environmental Workforce Development and Job Training Cooperative Agreements	66.815		<u>64,784</u>

(Continued)

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
Department of Education Pass-Through Program From:			
California Department of Education			
Adult Education - Basic Grants to States			
Workforce Investment Act Title II FY17	84.002	V002A 160005	<u>50,442</u>
Department of Homeland Security Pass-Through Programs From:			
Contra Costa County Office of the Sherriff			
Homeland Security Grant Program			
FY15 SHSGP Marine Response	97.067	FY15 SHSG Project J	10,865
Emergency Management Performance Grants	97.042	13-00000	<u>20,000</u>
Total Department of Homeland Security			<u>30,865</u>
Total Expenditures of Federal Awards			<u><u>\$9,979,102</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, 2017

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, are excluded from the Schedule and are subject to a separate Single Audit.

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, 2017	\$416,613	
Cash and investment balance in the RLF as of June 30, 2017	281,557	
Administrative expenses paid out of RLF income during the fiscal year	4,812	
Unpaid principal of all loans written off during the fiscal year	<u>0</u>	
Subtotal	702,982	A
Federal Share of the RLF	<u>87.63%</u>	B
Expenditures of Federal Awards (A * B)	<u>\$616,023</u>	

**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 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2018. Our report was unmodified for governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information, but was a disclaimer of opinion for business-type activities, the aggregate discretely presented component units, and the Richmond Housing Authority Enterprise Fund as the financial statements of the Richmond Housing Authority, RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2017. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 16.5%, 40.4% and 21.2% of the assets, net position, and revenues, respectively, of the City's business-type activities. The financial activities of RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in the City's financial activities as discretely presented component units and represent the City's only discretely presented component units. Our report also included an emphasis of a matter paragraphs regarding General Fund Cash and Fund Balance and Other Fund Cash Balances and the implementation of a new accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. However, as described in the Schedule of Findings and Questioned Costs and in our separately issued Memorandum on Internal Control dated March 30, 2018, we identified certain deficiencies in internal control 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 2016-01, 2016-02, 2016-03, 2015-03A and 2015-04 on the Status of Prior Year Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 30, 2018 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 2016-09, 2016-001, 2015-05, 2015-06, 2015-08, 2015-13, 2014-07, 2013-06, 2010-10, 2015-001 and 2014-001 on the Status of Prior Year Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 30, 2018 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 or other matters 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 March 30, 2018, 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.



Pleasant Hill, California
March 30, 2018

**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 \$22,796,454 in federal awards which is not included in the Schedule during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Richmond Housing Authority, because it is subject to a separate Single Audit.

We have audited the City'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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

Report on Internal Control Over Compliance

Management of the City 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 a 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 have not been 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 30, 2018, which contained an unmodified opinion for governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information, but was a disclaimer of opinion for business-type activities, the aggregate discretely presented component units, and the Richmond Housing Authority Enterprise Fund as the financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2017. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 16.5%, 40.4% and 21.2% of the assets, net position, and revenues, respectively, of the City's business-type activities. The financial activities of RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in the City's financial activities as discretely presented component units and represent the City's only discretely presented component units. 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 basic 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 basic 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 basic financial statements or to the basic 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 financial statements as a whole.

Maye & Associate

Pleasant Hill, California
March 30, 2018

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