

**CITY OF RICHMOND**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

This Page Left Intentionally Blank

**CITY OF RICHMOND**  
**SINGLE AUDIT REPORT**  
**For the Year Ended June 30, 2018**

**TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Findings and Questioned Costs.....	1
Section I - Summary of Auditor's Results .....	1
Section II – Financial Statement Findings .....	2
Section III – Federal Award Findings and Questioned Costs.....	2
Schedule of Expenditures of Federal Awards.....	3
Notes to Schedule of Expenditures of Federal Awards .....	6
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 <i>Government Auditing Standards</i> .....	7
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 .....	9

This Page Left Intentionally Blank

**CITY OF RICHMOND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**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 Reported
- Significant deficiency(ies) identified?   X   Yes        No  
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 Reported
- Significant deficiency(ies) identified?        Yes   X   No  
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>
17.258/259/278	Workforce Investment Act Cluster
15.954	National Park Service Grant
97.036	Department of Homeland Security

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 included unmodified opinions 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 opinions 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, 2018.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit disclosed significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements included as part of our separately issued Memorandum on Internal Control dated May 17, 2019, 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 or 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, 2018**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Commerce <b>Direct</b> Program: Economic Development Administration Economic Adjustment Assistance ( <b>Note 4</b> )	11.307		<u>\$684,370</u>
Department of Defense, Department of Navy <b>Direct</b> Program: Community Base Reuse Plans, Project Grant/Cooperative Agreement Naval Fuel Depot Point Molate Pollution Remediation	12.612		<u>444,739</u>
Department of Housing and Urban Development Programs: Community Development Block Grants/Entitlement Grants <b>Direct</b> Program			
Program Expenditures	14.218		56,996
Loan program cash balance at the end of the year	14.218		701,488
Neighborhood Stabilization Program 1:			
Program Expenditures	14.218		
Program cash balance at the end of the year	14.218		124,772
Neighborhood Stabilization Program 3:			
Program Expenditures			2,871
Community Development Block Grants/Entitlement Grants <b>Pass-Through</b> Program from Contra Costa County			
BTA Community Center Improvements	14.218	17-49C-IPF	90,000
Library Book Van Project	14.218	17-09-PS	<u>12,000</u>
Program subtotal			<u>988,127</u>
HOME Investment Partnership Program <b>Direct</b> Program Loan program cash balance at the end of the year	14.239		<u>529,642</u>
<b>Total of Department of Housing and Urban Development</b>			<u>1,517,769</u>
Department of Interior <b>Direct</b> Program From: National Parks Service			
National Parks Service Conservation, Protection, Outreach and Education NPS Urban Agenda and Richmond, California, Urban Fellow	15.954		<u>342,641</u>
Department of Justice <b>Pass-Through</b> Programs From: State of California Office of Emergency Service			
Violence Against Women Formula Grants Family Services	16.588	LE16 09 7830	<u>90,915</u>
Department of Justice <b>Direct</b> Program Edward Byrne Memorial Justice Assistance Grant Program			
Justice Assistance Grant 2015 Body Worn Cameras	16.738 16.738		<u>8,617</u> <u>3,850</u>
Program subtotal			<u>12,467</u>
<b>Total Department of Justice</b>			<u>103,382</u>

(Continued)

**CITY OF RICHMOND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2018**

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			
<b>Pass-Through Programs From:</b>			
State of California Employment Development Department			
Workforce Innovation and Opportunity Act (WIOA) - Workforce Accelerator 4.0	17.258	K7102057-1082	93,372
WIOA - Adult Formula	17.258	K7102057-201/202	400,796
WIOA - Workforce Accelerator 3.0	17.258	K698380-1059	6,132
WIOA - Workforce Accelerator 5.0	17.258	K7102057-1102	138,903
WIOA - Workforce Accelerator 6.0	17.258	K8106653-1115	50,879
WIOA - High Performing Boards	17.258	K7102057-1080	54,839
WIOA - 1090 CalJobs VOS Enhancements	17.258	K7102057-1090	2,967
WIOA - East Bay Regional Planning Unit	17.258	18-122-0	30,000
WIOA Youth Activities Formula Grants - Youth	17.259	K8106653-301	380,045
WIOA Dislocated Worker Formula Grants - Project Hire (IV)	17.278	K698380-1072	64,379
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K7102057-292/293	16,816
WIOA Dislocated Worker Formula Grants - Dislocated Worker Formula	17.278	K7102057-501/502	268,536
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K7102057-540/541	<u>136,094</u>
Cluster Subtotal			<u>1,643,758</u>
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>202,671</u>
<b>Total Department of Labor</b>			<u>1,846,429</u>
Department of Transportation <b>Pass-Through Programs From:</b>			
State of California Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program) Yellow Brick Road	20.205	ATPL-5137(049)	831,609
California Office of Traffic Safety			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Selective Traffic Enforcement Program (STEP)	20.608	PT17100	<u>18,865</u>
<b>Total Department of Transportation</b>			<u>850,474</u>
Institute of Museum and Library Services Programs			
<b>Pass-Through Program From:</b>			
CALIFA Group			
Grant to States CENIC Broadband	45.310	40-8622	<u>16,549</u>
<b>Total Institute of Museum and Library Services</b>			<u>16,549</u>
Environmental Protection Agency <b>Direct Programs:</b>			
Environmental Workforce Development and Job Training Program			
EPA Workforce 2015-17	66.815		999
EPA Workforce	66.815		<u>59,447</u>
Program subtotal			<u>60,446</u>
Brownfields Assessment and Clean-up Cooperation Agreement	66.818		<u>44,780</u>
<b>Total Environmental Protection Agency</b>			<u>105,226</u>
Department of Education <b>Pass-Through Program From:</b>			
California Department of Education			
Adult Education - Basic Grants to States WIOA - Title II 2018	84.002	V002A 170005	<u>38,738</u>

(Continued)

**CITY OF RICHMOND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2018**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
Department of Homeland Security <b>Pass-Through</b> Programs From:			
Federal Emergency Management Agency			
California Governor's Office of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Via Verde Emergency Repairs	97.036	FEMA-4308-DR-CA	1,274,840
Rifle Range Road Emergency Repairs	97.036	FEMA-4308-DR-CA	<u>992,944</u>
Program subtotal			<u>2,267,784</u>
Contra Costa County			
Emergency Management Performance Grants	97.042	013-0000	<u>20,000</u>
<b>Total Department of Homeland Security</b>			<u>2,287,784</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$8,238,101</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, 2018**

**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, 2018	\$421,824	
Cash and investment balance in the RLF as of June 30, 2018	315,270	
Administrative expenses paid out of RLF income during the fiscal year	3,964	
Unpaid principal of all loans written off during the fiscal year	<u>39,919</u>	
Subtotal	780,977	<b>A</b>
Federal Share of the RLF	<u>87.63%</u>	<b>B</b>
Expenditures of Federal Awards (A * B)	<u>\$684,370</u>	

**NOTE 5 – PRIOR YEAR ADJUSTMENTS**

The current year Schedule of Expenditures of Federal Awards includes expenditures from fiscal years 2016 and 2017 for the Department of Interior – National Parks Service Conservation, Protection, Outreach and Education Program in the amounts of \$175,808 and \$144,504, respectively.

The Department of Homeland Security – Federal Emergency Management Agency grants for Via Verde Emergency Repairs and Rifle Range Road Emergency Repairs include expenditures from fiscal year 2017 in the amounts of \$646,681 and \$28,252, respectively.



**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2019. 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 opinions 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, 2018. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 14.65%, 30.92% and 40.67% 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 Controls dated May 17, 2019, 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 2017-01, 2017-02, 2016-01, 2016-02, 2016-03 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 May 17, 2019, 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 2017-05, 2017-06, 2017-07, 2017-08(a), 2017-10, 2016-09, 2010-10, 2010-11, 2016-001, 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 date May 17, 2019, 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 May 17, 2019, 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  
May 17, 2019

**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 \$26,457,147 in federal awards that are not included in the Schedule during the year ended June 30, 2018. 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 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, 2018. 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 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, 2018.

### ***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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 17, 2019, which contained unmodified opinions 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 opinions 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, 2018. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 14.65%, 30.92% and 40.67% 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.

*Maize & Associates*

Pleasant Hill, California  
May 17, 2019

This Page Left Intentionally Blank