



Single Audit Report on
Federal Awards for

City of Riverside, California

June 30, 2012

MOSS-ADAMS_{LLP}

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***Incorporated by reference only**

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

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Riverside, California, ("the City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 24, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of

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findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as noted in finding 2012-1. 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.

Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, Finance Committee, City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California
October 24, 2012

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL
CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

Compliance

We have audited the City of Riverside, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion of the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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 to determine the 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis in accordance with the requirements of OMB Circular A-133 and is not a required part of the basic financial statements. The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

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financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic 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 is fairly stated in all material respects in relation to the basic financial statements as whole.

This report is intended solely for the information and use of the management, Finance Committee, City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Los Angeles, California

December 5, 2012, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is October 24, 2012.

CITY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Grant Number/Pass- through Entity Identifying <u>Number</u>	Federal Exp. through <u>6/30/2012</u>
U.S. Department of Agriculture			
Direct Programs:			
Summer Food Service Program for Children	10.559		\$ 266,695
Total U.S. Department of Agriculture			<u>266,695</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grants/Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants Housing and Economic Recovery Act 2008	14.218		3,477,657
Neighborhood Stabilization Program 1 and 3	14.218		3,487,224
ARRA Community Development Block Grants/Entitlement Grants	ARRA - 14.253		<u>86,807</u>
Subtotal Community Development Block Grants/Entitlement Grants Cluster			7,051,688
Emergency Shelters Grant Program	14.231		194,487
Supportive Housing Program	14.235		430,277
HOME Investment Partnerships Program	14.239		3,739,973
Housing Opportunities for Persons with AIDS	14.241		1,861,420
Community Development Block Grants/Brownfields Economic Development Initiative	14.246		131,233
ARRA Homelessness Prevention & Rapid Re-Housing Program	ARRA - 14.257	S-09-MY-06-0538	<u>354,232</u>
Total U.S. Department of Housing and Urban Development			<u>13,763,310</u>
U.S. Department of Interior			
Direct Programs:			
Historic Preservation Fund Grants-In-Aid	15.904		41,941
Total U.S. Department of Interior			<u>41,941</u>
U.S. Department of Justice			
Direct Programs:			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0323	
ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	ARRA - 16.804	2011-DJ-BX-2741 2009-SB-B9-0599	57,868 59,297
Pass-through Riverside County Sheriff's Department:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-11-22-0330	96,237
ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	ARRA - 16.804	ZA-09-01-0330	<u>5,313</u>
Subtotal Edward Byrne Memorial Justice Assistance Cluster			<u>218,715</u>
Equitable Sharing Program	16.922		922,793
National Institute of Justice, Research and Development Project	16.560		120,781
Project Safe Neighborhoods	16.609		7,657
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2010ULWX0005 2009CKWX0267	1,045,532
Edward Byrne Memorial Formula Grant Program	16.579		33,772
Paul Coverdell Forensic Sciences Improvement Grant	16.742		914
Pass-through Drug Enforcement Agency:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants program	16.580	95-6000930	25,367
Total U.S. Department of Justice			<u>\$ 2,375,531</u>

(continued)

CITY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number/Pass- through Entity Identifying Number	Federal Exp. through 6/30/2012
Executive Office of the President - Office of National			
Drug Control Policy			
Pass-through State:			
High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	07-I5PLAP540Z	\$ 156,229
Total Executive Office of the President - Office of National Drug Control Policy			<u>156,229</u>
U.S. Department of Transportation			
Direct Programs:			
Federal Transit Cluster:			
		CA-90-Y757-00	
Federal Transit Formula Grants	20.507	CA-90-Y848-00	1,128,092
ARRA Federal Transit Formula Grants	ARRA - 20.507	CA-96-X080-00	1,035
Subtotal Federal Transit Cluster			<u>1,129,127</u>
Federal Transit Metropolitan Planning Grants	20.505		341
Airport Improvement Plan	20.106		222,543
Pass-through the California Department of Transportation:			
Highway Planning and Construction	20.205	various	8,880,411
Pass-through State of California Office of Traffic Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	various	4,700
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	various	454,247
Total U.S. Department of Transportation			<u>10,691,369</u>
U.S. Department of Treasury			
Direct Programs:			
Asset forfeiture	21. unknown		60,418
Total U.S. Department of Treasury			<u>60,418</u>
Environmental Protection Agency			
Direct Programs:			
Brownsfield Job Training Coop Agreements	66.815		21,498
Total Environmental Protection Agency			<u>21,498</u>
U.S. Department of Energy			
Direct Program:			
ARRA Energy Efficiency & Conservation Block Grant	ARRA - 81.128	DE-EE0000872	941,001
Total U.S. Department of Energy			<u>941,001</u>
U.S. Department of Homeland Security			
Homeland Security Cluster			
Pass-through State of California:			
Urban Areas Security Initiative	97.067	065-62000	3,791,442
Pass-through Riverside County:			
Homeland Security Grant Program	97.067	various	242,534
Emergency Management Performance Grant	97.042	2011-0048	50,546
Pass-through California Emergency Management Agency:			
State Homeland Security	97.073	various	18,622
Subtotal Homeland Security Cluster			<u>\$ 4,103,144</u>
			(continued)

CITY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number/Pass- through Entity Identifying Number	Federal Exp. through 6/30/2012
U.S. Department of Homeland Security (continued)			
Direct Programs:			
National Urban Search and Rescue (US&R) Response System	97.025		\$ 1,036,232
Assistance to Firefighters Grant	97.044	95-60000930	507,779
Pass-through City of Los Angeles:			
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	C-117607	74,855
Pass-through California Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036	various	903,957
Buffer Zone Protection Program	97.078	95-6000930	196,922
Total U.S. Department of Homeland Security			<u>6,822,889</u>
Total Federal Expenditures			<u>\$ 35,140,881</u>

CITY OF RIVERSIDE, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Riverside, California under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flow of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity indentifying numbers are presented where available.

Note 3 - Sub-Recipients

During the fiscal year ended June 30, 2012, the City disbursed federal funding to various program recipients from the following federal programs:

Federal awarding agency and program name	CFDA	Federal Expenditures
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	\$ 619,804
HOME Investment Partnerships Program	14.239	1,858,230
Housing Opportunities for Persons with AIDS	14.241	1,802,302
Emergency Shelters Grant Program	14.231	185,838
ARRA Homelessness Prevention & Rapid Re-Housing Program	ARRA 14.257	354,232
U.S. Department of Energy		
ARRA Energy Efficiency & Conservation Block Grant ARRA	ARRA 81.128	\$ 151,142
U.S. Department of Homeland Security		
Urban Areas Security Initiative	97.067	\$ 1,782,596

CITY OF RIVERSIDE, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Note 4 - Outstanding Loans

The City has made several housing rehabilitation and housing assistance loans to qualified applicants using various grants from the U.S. Department of Housing and Urban Development. These loans bear interest up to 5% and are repaid when title to the property changes or when the property ceases to be owner-occupied. The outstanding balance of these loans at June 30, 2012 is summarized below:

Federal awarding agency and program name	CFDA	Outstanding Balance
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	\$ 319,305
HOME Investment Partnerships Program	14.239	8,562,422
Housing Opportunities for Persons with AIDS	14.241	282,250

**CITY OF RIVERSIDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Housing and Urban Development
ARRA - 14.257	ARRA Homeless Prevention and Rapid Re-Housing Program
	U.S. Department of Justice
16.710	Public Safety Partnership and Community Policing Grants
	JAG Program Cluster:
16.738	Edward Byrne Memorial Justice Assistance Grant (JAG) Program
ARRA - 16.804	ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government

CITY OF RIVERSIDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results (Continued)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
U.S. Department of Transportation	
Federal Transit Cluster:	
20.507	Federal Transit Formula Grants
ARRA - 20.507	ARRA Federal Transit Formula Grants
20.205	Highway Planning and Construction grant

U.S. Department of Energy

ARRA - 81.128 ARRA Energy Efficiency & Conservation Block Grant

Dollar threshold used to distinguish
between type A and type B programs: \$ 1,054,226

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

Finding 2012-1 - Accounting for Land Held for Resale

Criteria: Management of the City is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: Throughout fiscal year 2012, certain accounting adjustments were made to land held for resale to reflect property dispositions that had not been communicated to centralized accounting in previous years.

Cause and Effect: Upon the dissolution of the Redevelopment Agency, the amounts reflected in the accounting records related to land held for resale were reconciled to an updated listing maintained by Real Property Services (a division within the department of Community Development). As a result of this reconciliation, the following accounting adjustments were made to reflect property dispositions that had not been communicated to centralized accounting in previous years: (1) approximately \$3 million of properties that were purchased in prior years were recorded as assets in the current accounting period, (2) approximately \$573,000 of properties that were sold in previous years were removed from the accounting records, and (3) approximately \$8 million of properties were reclassified as capital assets since those assets are no longer considered held for resale as they were acquired or ultimately used as public facilities.

**CITY OF RIVERSIDE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings (Continued)

Recommendation: We recommend that that the City incorporate a process to ensure that property dispositions (purchases, sales, transfers, etc.) are accounted for in a timely manner in order to ensure that related accounting transactions are recorded within the appropriate accounting period.

Management Response: The accounting issues related to land held for resale were identified as a result of a process that was established by the City during the current accounting period. Additional controls have been established in order to ensure that property dispositions are communicated to centralized accounting in a timely manner.

Section III - Federal Award Findings and Questioned Costs

None reported

**CITY OF RIVERSIDE, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

There were no findings disclosed in the Single Audit Report for the year ended June 30, 2011 that requires follow up.