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CITY OF ROSEVILLE

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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CITY OF ROSEVILLE

SINGLE AUDIT REPORT
For The Year Ended June 30, 2008

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CITY OF ROSEVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

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 that are not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified			
Internal control over major programs:				
• Material weakness (es) identified?		Yes	X	No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	X	Yes		None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	X	Yes		No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
14.239	HOME Funds
16.710	Public Safety Partnership and Community Policing
20.205	Highway Planning and Construction (Federal Aid Highway Program)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee?	X	Yes		No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 7, 2008, 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 section 510(a) of OMB Circular A-133.

Finding 08-01: Department of Justice Wireless Network COP Tech 2005 (CFDA #16.710)

Criteria:

The City charged payroll and benefit costs to the Department of Justice's Wireless Network COP Tech grant. In order to substantiate the costs charged to the grant, the City should maintain adequate documentation to support the time charged to the grant. According to OMB Circular-87 Attachment A (C)(1) "to be allowable under Federal awards, costs must meet the following general criteria...(j) Be adequately documented.

Condition:

The total amount the City requested for payroll and benefits from the awarding agency was $30,983. We selected a sample of these expenditures as part of our testing. While all payroll and benefit related transactions we selected were supported by timecards, we were informed by City employees that a total of 310 hours, charged to the grant on two timecards we examined, actually occurred in prior pay periods. The City could not provide further documentations to support how these hours were calculated. The 310 hours discussed above amounted to 72% of the payroll and benefits costs we sampled.

Effect:

Based on our testing result above, we estimate that the City's documentation can possibly substantiate $11,408 of the payroll and benefits costs requested for grant reimbursement. However, we question the remaining $19,575.

Cause:

Prior to December 2008, the City's payroll system did not allow employees to allocate their work hours based on projects. As a result, the City subscribed to a secondary system for this function. We were told by management that the City maintained payroll records in the secondary system to substantiate the 310 hours we questioned above. However, the subscription of the secondary system was terminated after the City upgraded their current payroll system. The termination was due to the fact that the upgrade to the payroll system allowed employees to allocate their work hours based on projects. Since the subscription has ended, the City could no longer access the secondary system to provide us with the necessary supporting documents of these 310 hours.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

To comply with the OMB Circulars, the City should ensure that supporting documents of grant expenditures are available in case of any future audits or grantors' inquiries. For any future changes in record maintenance systems, the City should ensure that these documents are not lost during the process.

Management Response:

The City incurred a total of $89,249.97 in payroll and benefits on this project while only 77% ($68,860.08) was submitted for grant reimbursement and 23% ($20,389.89) was paid for by the City.

The 310 hours submitted were the actual accumulated hours from July to Nov. 2007 spent by the Information Technology Department on this project. Unfortunately, the City has no longer access to the data due to the upgrade into a new payroll system. The City will be more vigilant in maintaining documentation in the future for all payroll and benefits requested for grant reimbursement.

Finding 2008-02: Grant reporting and Accounting (General)

Criteria:

According to OMB Circular A-133 §300(a), the City is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received.

Condition:

During the audit, the City's Schedule of Expenditures of Federal Awards (SEFA) had to be revised several times, mainly due to the fact that non-federal grant expenditures were included in the SEFA.

Effect:

Audit planning for the Single Audit had to be revised and work had to be delayed.

Cause:

The City's General Ledger does not separate project expenditures based on funding sources.

Recommendation:

To alleviate the pressure of compiling the SEFA at the end of the year, the City should develop a record keeping system which allows Finance and/or project managers to track Federal expenditures during the year. The information derived from this system should be easily accessible by Finance in order to prepare the SEFA at year end. Also, the SEFA needs to be reviewed for accuracy and completeness to ensure proper reporting of federally funded grant expenditures.

Management Response:

In response to the finding above, staff does acknowledge that the revision of the City's Schedule of Expenditures of Federal Award (SEFA) has resulted to delay in the audit and has instituted new record keeping system to track of expenditures during the year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2008-3: Department of Transportation, Roseville Historic District Streetscape Project (CFDA #20.205)

Criteria:

According to the Special Covenants or Remarks contained in the Program Supplement No. M011, the "Administering Agency agrees to submit invoices in arrears for reimbursement of participating project costs at least once every six months commencing after the funds are encumbered for each phase by the execution of this project program supplement or by State's future approval of an applicable Finance Letter." In addition, the Program Supplement states that "if no costs have been invoiced for a six-month period, Administering Agency shall submit a written explanation (with target billing date and target billing amount) of the absence of project activity."

Condition:

As of March 19, 2009, the City had only submitted two invoice billings dated March 14, 2007 and October 6, 2008. According to the Program Supplement, as stated above, the City should have submitted written explanations when invoice billing was not submitted at least once every six months. However, the City did not submit the required explanation to the grantor.

Effect:

The City is not in compliance with the requirement on the Program Supplement stated above.

Cause:

According to City, the Historic District Streetscape Project had a series of field and design challenges that did not allow the project to progress within the planned schedule.

Recommendation:

The City should report invoices of disbursements of participating project costs in time intervals stated in the Program Supplement. If no invoices are submitted, the City should submit a written explanation documenting the reason.

Management Response:

Due to the series of field and design challenges that did not allow the project to progress within the planned schedule, the City was not able to submit the required documentation within the time intervals stated in the Program Supplement.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management

Financial Statement Prior Year Findings

There was no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

Finding 07-01: Department of Housing and Urban Development HOME Investment Partnerships Program (CFDA #14.239)

The HOME grant agreement between the City and the State Department of Housing and Community Development requires that HOME recipients submit a quarterly performance report to the Department of Housing and Community Development no later than thirty days after the end of each quarter. However, the City did not submit the quarter-ended June 30, 2007 quarterly report within the thirty-day period. The City should ensure that it submits all required reports within the specified times in order to remain in compliance with the grant agreement.

Current Status:

During fiscal year 2008, the City submitted quarterly performance reports to the Department of Housing and Community Development within the thirty-day due date. Therefore, as of June 30, 2008, the City is in compliance with the Grant Agreement.

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Grantor Agency and Award Title	Identifying Pass-Through Grant Number	Federal Catalog Number	Program Expenditures
U.S. Department of Housing and Urban Development			
Low Income Housing Program (Section 8) Voucher		14.871	$3,955,816
Community Development Block Grant	B-03-MC-060043	14.218	633,792
(Passed through California Department of Housing & Community Development)			
HOME Funds	05-HOME-1689	14.239	569,720
Total U.S. Department of Housing and Urban Development			5,159,328
U.S. Department of Justice			
Wireless Network (COPS TECH 05)	2005CKWX0152	16.710	242,807
2007 Secure Our Schools	2005CKW0616	16.710	25,108
COPS Tech Grant 2006/ 07	2006CKW0249	16.710	34,473
Bulletproof Vest Program	4023666		7,553
Total U.S. Department of Justice			309,941
U. S. Department of Transportation			
(Passed through the City of Berkley)			
Click It or Ticket	CT08355	20.600	5,631
(Passed through the State Office of Traffic Safety)			
OTS-STEP-2007	PT0738	20.600	92,656
			98,287
(Passed Through California Department of Transportation)			
Harding-Royer Park Bike Trail	TCSP03-5182 (027)	20.205	142,817
CMAQ Grant - TSM		20.205	19,250
Historic District Scape	STPLX-5182 (024)	20.205	572,366
Washington Blvd Ped Underpass	TCSP-5182 (019)	20.205	50,981
Vernon/ Riverd/ Douglas Intx	PLA25029	20.205	476,694
ITS Equipment Conversion Project	CML-5182(029)	20.205	140,621
Atkinson Bridge Widening	BHLS-5182 (007)	20.205	122,396
2006 CMAQ - Equipment Conversion	CML-5182(031)	20.205	292,191
Fiber Optic-Rocklin Installation	03-5182R/017-N	20.205	33,500
			1,850,816
Total U.S. Department of Transportation			1,949,103
Environmental Protection Agency			
NE Water Store Reservoir Replacement	N/A	66.816	5,464
U.S. Department of Homeland Security			
(Passed through State of California)			
Homeland Security Grant (CITY)	EMW-2004-FG-12605	97.078	81,155
Homeland Security - UASI	N/A	97.008	73,265
Total U.S. Department of Homeland Security			154,420
U.S. Department of the Interior			
Water Conservation Field Service Program (2007)	07FG200043	15.530	45,371
Water Conservation Field Service Program (2006)	07FG204108	15.530	22,450
Total U.S. Department of the Interior			67,821
Total Expenditures of Federal Awards			$7,646,077

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF ROSEVILLE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2008

NOTE 1-REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Roseville, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-BASIS OF ACCOUNTING

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-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

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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*

Honorable Mayor and City Council
of the City of Roseville, California

We have audited the financial statements of the City of Roseville as of and for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with generally accepted auditing standards 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

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 opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 and other matters that are required to be reported under *Government Auditing Standards.*

We have also issued a separate Memorandum on Internal Control dated November 7, 2008, which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of City Council, management, and 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.

Maze & Associates

November 7, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
of the City of Roseville, California

Compliance

We have audited the compliance of the City of Roseville with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in Section I - Summary of Auditor's Results included in 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 on 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 that 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III – Federal Award Findings and Questioned Costs included in the accompanying Schedule of Findings and Questioned Costs.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal controls 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider certain deficiencies to be significant deficiencies in internal control over compliance. These are listed as items 2008-1 and 2008-2 in Section III – Federal Award Findings and Questioned Costs included in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The City's responses to the findings identified in our audit are 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 City Council, management, and 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.

Maze & Associates

March 19, 2009

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