



CPAs AND ADVISORS

# CITY OF RIVERSIDE, CALIFORNIA

JUNE 30, 2019

SINGLE AUDIT REPORT

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CITY OF RIVERSIDE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2019

**CITY OF RIVERSIDE**

**JUNE 30, 2019**

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INDEPENDENT AUDITORS' 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 Mayor and Members of the City Council  
City of Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2019.

**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.

*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 entity's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control as described in the accompanying schedule of findings and questioned costs as finding 2019-001 that we consider to be a significant deficiency.



To the Honorable Mayor and Members of the City Council  
City of Riverside, California

### **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 is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on the response

### **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 results 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.

Brea, California  
November 7, 2019



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

To the Honorable Mayor and Members of the City Council  
City of Riverside, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Riverside, California (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, 2019. 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 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, 2019.



To the Honorable Mayor and Members of the City Council  
City of Riverside, California

### **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 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.

### **Report on the 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, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 basic financial statements as a whole.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council  
City of Riverside, California

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.

*Lance, Solt & Loughard, LLP*

Brea, California  
November 7, 2019



CITY OF RIVERSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Agriculture Food and Nutrition Service</u>				
Pass-through Riverside County Department of Public Health:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance	10.561*	13-20527	-	439,460
<b>Total U.S. Department of Agriculture Food and Nutrition Service</b>			<b>-</b>	<b>439,460</b>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants Cluster	14.218	N/A	1,790,108	2,385,063
Emergency Solutions Grants Program	14.231	N/A	196,429	286,493
Home Investment Partnerships Program	14.239	N/A	-	1,572,947
Housing Opportunities for Persons with AIDS	14.241	N/A	3,110,727	3,110,727
Continuum of Care Program	14.267	N/A	-	317,307
<b>Total U.S. Department of Housing and Urban Development</b>			<b>5,097,264</b>	<b>7,672,537</b>
<u>U.S. Department of Interior</u>				
Direct Programs:				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	-	12,695
<b>Total U.S. Department of Interior</b>			<b>-</b>	<b>12,695</b>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Body Worn Camera Policy and Implementation	16.835	N/A	-	5,963
Equitable Sharing Program	16.922	N/A	-	232,441
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	17,390	89,613
<b>Total U.S. Department of Justice</b>			<b>17,390</b>	<b>328,017</b>
<u>Executive Office of the President - Office of National Drug Control Policy</u>				
Pass-through State of California:				
High Intensity Drug Trafficking Areas Program	95.001	07-I5PLAP540Z	-	242,235
<b>Total Executive Office of the President - Office of National Drug Control Policy</b>			<b>-</b>	<b>242,235</b>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Formula Grants	20.507	N/A	-	374,766
Pass-through the California Department of Transportation:				
Highway Planning and Construction Cluster	20.205	various	-	3,081,280
Pass-through State of California Office of Traffic Safety:				
State and Community Highway Safety Cluster	20.600	various	-	304,158
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	various	-	204,096
National Priority Safety Programs	20.616	OP1507	-	81,220
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>4,045,520</b>
<u>U.S. Department of Treasury</u>				
Direct Programs:				
Asset Forfeiture	21.000	N/A	-	143,244
<b>Total U.S. Department of Treasury</b>			<b>-</b>	<b>143,244</b>

CITY OF RIVERSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System	97.025*	N/A	-	2,064,028
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	-	23,146
Assistance to Firefighters Grant	97.044	N/A	-	117,288
Pass-through State of California:				
Homeland Security Grant Program	97.067*	065-62000	1,192,489	2,459,830
Pass-through Riverside County:				
Homeland Security Grant Program	97.067*	various	-	82,429
Emergency Management Performance Grants	97.042	2011-0048	-	63,409
<b>Total U.S. Department of Homeland Security</b>			<b>1,192,489</b>	<b>4,810,130</b>
<b>Total Federal Expenditures</b>			<b>\$ 6,307,143</b>	<b>\$ 17,693,838</b>

\* Denotes major program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

**CITY OF SINGLE AUDIT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the City of Riverside, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**c. Indirect Cost Rate**

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

**CITY OF RIVERSIDE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
97.025	National Urban Search and Rescue Response System
97.067	Homeland Security Grant Program

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

Auditee qualified as low-risk auditee?  yes  no

CITY OF RIVERSIDE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding 2019–001: Allocation of Net Pension Liability and Related Deferred Outflows/Inflows**

Condition:

During the audit, it was noted that the net pension liability and related deferred outflows/inflows for the City's safety pension plan were being improperly allocated to the City's proprietary funds.

Criteria:

Net pension liability and related deferred outflows/inflows related to pension must be allocated where the employee costs are recorded.

Cause of Condition:

The City net pension liability and related deferred outflows/inflows for both its miscellaneous and safety plans are allocated uniformly across all funds.

Effect of Condition:

Proprietary funds are being charged for safety employee pension and related costs when they do not bear the cost of safety employees, and government-wide activity is being under charged for the safety employee pension and related costs.

Recommendation:

A prior period adjustment of \$12,548,502 was proposed to properly redistribute these related pensions items. Going forward, we recommend that the miscellaneous and safety pension plans year end journal entries to adjust net pension liability and related items according to GASB 68 be handled separately and be allocated where respective employee costs are recorded.

Management's Response:

Management concurs. While the allocation was done in error and noted by the current auditors, it should be noted the same methodology and process has been consistently applied. The correction has no impact on cash or cash outflow and is a correction of an accounting entry. The City will implement fiscal year-end procedures to ensure that miscellaneous and safety pension plan year-end journal entries are handled separately and allocated where respective employee costs are recorded.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF RIVERSIDE**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.