



Single Audit Report
City of Moreno Valley, California
As of and for the Year Ended June 30, 2017
With Report of Independent Auditors

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**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***

**The Honorable Mayor and the Members of the City Council
City of Moreno Valley
Moreno Valley, California 92553**

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California (City), as of and for the Year Ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2017.

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. 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.



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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez + Company LLP

**Los Angeles, California
December 5, 2017**

**Report of Independent Auditors on Compliance for Each Major Federal Program, on
Internal Control Over Compliance, and on the Schedule of Expenditures
of Federal Awards, Required by the Uniform Guidance**

**The Honorable Mayor and the Members of the City Council
City of Moreno Valley, California
Moreno Valley, California 92553**

Report on Compliance for Each Major Federal Program

We have audited the City of Moreno Valley, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the Year Ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 programs 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 unmodified opinion on compliance for major federal programs. 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 its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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 or significant deficiencies 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 government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 5, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. 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 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 of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vasquez + Company LLP

**Los Angeles, California
December 5, 2017**

City of Moreno Valley, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through the State of California Department of Education:				
Child and Adult Care Food Program At-Risk Snack (CACFP)	10.558	04321-CACFP-33-GM-CS	\$ -	\$ 43,431
Total U.S. Department of Agriculture			<u>-</u>	<u>43,431</u>
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grant	14.218	B-13-MC-0567	9,362	9,362
Community Development Block Grant	14.218	B-14-MC-0567	108,533	108,533
Community Development Block Grant	14.218	B-15-MC-0567	126,105	202,372
Community Development Block Grant	14.218	B-16-MC-0567	872,908	1,106,816
			<u>1,116,908</u>	<u>1,427,083</u>
Emergency Solutions Grant	14.231	E-13-MC-0567	125,412	125,412
Emergency Solutions Grant	14.231	E-14-MC-0567	114,090	114,090
Emergency Solutions Grant	14.231	E-15-MC-0567	99,873	99,873
Emergency Solutions Grant	14.231	E-16-MC-0567	-	13,640
			<u>339,375</u>	<u>353,015</u>
Neighborhood Stabilization Program	14.228	B-08 MN-06-0513	119,222	119,222
			<u>119,222</u>	<u>119,222</u>
HOME Investment Partnership Program	14.239	M-10-MC-06-551	-	7,421
HOME Investment Partnership Program	14.239	M-14-MC-06-551	258,516	258,516
HOME Investment Partnership Program	14.239	M-15-MC-06-551	7,068	25,179
HOME Investment Partnership Program	14.239	M-16-MC-06-551	120,000	158,465
			<u>385,584</u>	<u>449,581</u> *
Total U.S. Department of Housing and Urban Development			<u>1,961,089</u>	<u>2,348,901</u>
U.S. Department of Justice				
Passed through the County of Riverside - Sheriff Department				
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0213	-	34,181
Passed through the Riverside Police Department				
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0767	-	17,074
Total U.S. Department of Justice			<u>-</u>	<u>51,255</u>
U.S. Department of Transportation				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	STPL-5441(057)	-	74,568
Highway Planning and Construction	20.205	HSIP-5441 (056)	-	47,990
Highway Planning and Construction	20.205	STPLN-5441(059)	-	322,779
Highway Planning and Construction	20.205	CML-5441(060)	-	61,356
Highway Planning and Construction	20.205	HSIPL-5441(061)	-	272,317
Highway Planning and Construction	20.205	HSIPL-5441(062)	-	58,056
Highway Planning and Construction	20.205	ATPL-5441(064)	-	55,742
Highway Planning and Construction	20.205	STPL-5441(051)	-	31,509
Highway Planning and Construction	20.205	HSIPL-5441(061)	-	176,476
Highway Planning and Construction	20.205	HSIPL-5441(068)	-	39,309
Highway Planning and Construction	20.205	HSIPL-5441(066)	-	476
Highway Planning and Construction	20.205	HSIPL-5441(067)	-	154
Total U.S. Department of Transportation			<u>-</u>	<u>1,140,732</u> *
U.S. Department of Health and Human Services				
Passed through the State of California Department of Education:				
Child Care and Development Block Grant	93.575	CCTR - 6168 - 15136-2186	-	84,721
Child Care Mandatory and Matching Funds	93.596	CCTR - 6168 - 13609-2186	-	184,236
Total U.S. Department of Health and Human Services			<u>-</u>	<u>268,957</u>
U.S. Department of Homeland Security				
Passed through the State of California Governor's Office of Emergency Services:				
Street Improvement Preparation	97.029	HMPG DR-1731 0047	-	51,272
San Timoteo Foothill Storm Drain	97.029	HMPG DR-1810-0013R	-	34,964
Flood Mitigation Assistance	97.029	FEMA-4305-DR-CA	-	34,835
			<u>-</u>	<u>121,071</u>
Emergency Management Performance Grants	97.042	2016-00010	-	35,746
			<u>-</u>	<u>35,746</u>
State Homeland Security Program	97.067	2015-SS-00078	-	25,487
State Homeland Security Program	97.067	2016-SS-00102	-	27,363
			<u>-</u>	<u>52,850</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>209,667</u>
Total expenditures of federal awards			<u>\$ 1,961,089</u>	<u>\$ 4,062,943</u>

* Denotes major program

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Moreno Valley, California (City). For purposes of this schedule, financial awards include federal awards 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 portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic financial statements. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

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

NOTE 2 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of June 30, 2017, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 3 RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

In accordance with the Governmental Accounting Standards Board's Statement No. 61, *Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, activities relating to all federal financial assistance programs are blended in the City's financial statements as special revenue funds.

City of Moreno Valley, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over its major programs	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance with respect to major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a) of the Uniform Guidance	None

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.239	HOME Investment Partnership Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee	Yes

**City of Moreno Valley, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2017.

Section III – Federal Award Findings

There were no federal award findings noted during the fiscal year ended June 30, 2017.

**City of Moreno Valley, California
Status of Prior Year Audit Findings
Year Ended June 30, 2017**

Finding Reference	Condition	Corrective Action Plan	Current Status	Explanation if not fully implemented
Federal Award Findings				
F 2016-001 – Community Development Block Grant – Subrecipient Monitoring	During our testing of the CDBG subrecipient monitoring, we noted that four (4) of the four (4) subrecipient agreements inspected did not include the following subaward information: federal award identification, subrecipient's unique entity identifier, federal award identification number, date of award to the recipient by the Federal agency, and CFDA number.	Contract agreement addendums have been included in all contract files for FY 16-17 agreements as of November 30, 2017. All subsequent and new agreements that the City entered into during the FY 16-17 after the finding, included the corrective action during the initial contract execution. Part of the City's staff transaction and further compliance responsibilities have been shifted to Willdan Financial Services (Willdan), outside consultant. Management has directed Willdan to comply with all aspects of the Uniform Guidance and specifically the contents of the subrecipient agreements. Further, Willdan will work with City staff to assure continued compliance with applicable federal, state, and local reporting requirements.	Partially implemented	Due to the timing of the single audit results from last year, staff was not able to implement the corrective action into agreements already in place at the time of the finding. The City implemented the FY 16-17 grant agreements in December 2016, and the Single Audit was filed in January 2017.

**City of Moreno Valley, California
Status of Prior Year Audit Findings
Year Ended June 30, 2017**

Finding Reference	Condition	Corrective Action Plan	Current Status	Explanation if not fully implemented
Federal Award Findings				
F 2016-002 – Neighborhood Stabilization Program – Subrecipient Monitoring	During our testing of the NSP subrecipient monitoring, we noted that one (1) of the one (1) subrecipient agreement inspected did not include the following subaward information: federal award identification, subrecipient's unique entity identifier, federal award identification number, date of award to the recipient by the Federal agency, CFDA number, and indirect cost rate for the Federal award.	There were no new agreements that the City entered into during FY 16-17. Part of the City's staff transaction and further compliance responsibilities have been shifted to Willdan Financial Services (Willdan), outside consultant. Management has directed Willdan to comply with all aspects of the Uniform Guidance and specifically the contents of the subrecipient agreements. Further, Willdan will work with City staff to assure continued compliance with applicable federal, state, and local reporting requirements.	Partially implemented	Due to the timing of the single audit results from last year, staff was not able to implement the corrective action into agreements already in place at the time of the finding. The subrecipient agreement in place during FY 16-17 was for an agreement that was executed in FY 15-16 and was fully expended before December 2016. The Single Audit was filed with the City in January 2017.



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