



**Single Audit Report**  
**City of Moreno Valley, California**  
***As of and for the Year Ended June 30, 2015***  
***With Report of Independent Auditors***

An Independently Owned Member  
**McGLADREY ALLIANCE**



**M&C Vasquez**  
**& Company LLP**  
Certified Public Accountants and Business Consultants

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**City of Moreno Valley, California**  
***As of and for the Year Ended June 30, 2015***  
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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 Members of the City Council  
City of Moreno Valley, 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, 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, 2015, 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 7, 2015.

**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 7, 2015**

**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 OMB Circular A-133**

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

**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 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, 2015. 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 requirements of laws, regulations, contracts, and grants 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 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 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 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 its major federal programs for the year ended June 30, 2015.

### **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 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. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 7, 2015, 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 OMB Circular A-133 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 7, 2015**

**City of Moreno Valley, California**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2015**

<b>Federal Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Program Identification Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
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	\$ 42,950
<b>Total U.S. Department of Agriculture</b>			<b><u>42,950</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Assistance:			
Community Development Block Grant	14.218	B-12-MC-0567	583,386
Community Development Block Grant	14.218	B-13-MC-0567	2,094,917
			2,678,303 *
HOME Investment Partnership Program	14.239	M-11-MC-06-551	278,325
Neighborhood Stabilization Program	14.256	B-11-MN-06-0513	665,484
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>3,622,112</u></b>
<b><u>U.S. Department of Justice</u></b>			
Direct Assistance:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0695	3,567
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0324	54,283
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0031	471
<b>Total U.S. Department of Justice</b>			<b><u>58,321</u></b>
<b><u>U.S. Department of Transportation</u></b>			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	HSIPL-5441 (050)	431,358
Highway Planning and Construction	20.205	HSIP-5441 (055)	51,040
Highway Planning and Construction	20.205	HSIP-5441 (056)	52,159
Highway Planning and Construction	20.205	STPLN-5411(059)	25,142
Highway Planning and Construction	20.205	CML-5441(060)	27,558
Highway Planning and Construction	20.205	HSIPL-5441(062)	5,124
Highway Planning and Construction	20.205	BP MPL-5441(058)	50,000
Highway Planning and Construction	20.205	STPL-5441(051)	182,716
Highway Planning and Construction	20.205	HSIPL-5441(046)	132,241
Highway Planning and Construction	20.205	HSIPL-5441(061)	22,539
<b>Total U.S. Department of Transportation</b>			<b><u>979,877 *</u></b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through the State of California Department of Education:			
Child Care & Development Block Grant	93.575	CCTR - 4172	88,385
Child Care Mandatory & Matching Funds	93.596	CCTR - 4172	160,649
<b>Total U.S. Department of Health and Human Services</b>			<b><u>249,034</u></b>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the State of California Governor's Office of Emergency Services:			
Street Improvement Preparation	97.029	HMPG DR-1731 0047	33,021
San Timoteo Foothill Storm Drain	97.029	HMPG DR-1810-0013R	120,199
			153,220
Emergency Management Performance Grants	97.042	2014-0070	55,136
Emergency Management Performance Grants	97.067	2013-00110	22,745
			77,881
<b>Total U.S. Department of Homeland Security</b>			<b><u>231,101</u></b>
<b>Total expenditures of federal awards</b>			<b>\$ <u>5,183,395</u></b>

\* 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.

**NOTE 2            SUB-RECIPIENTS**

During the fiscal year ended June 30, 2015, the City disbursed \$674,515 to Sub-Recipients, utilizing funds provided by U.S. Department of Housing and Urban Development Community Development Block Grant program.

**NOTE 3            RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditure reports as of June 30, 2015, 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 4            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, 2015

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**Section I – Summary of Auditors’ Results**

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**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 510(a) of OMB A-133	None

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as a low-risk auditee	No

**City of Moreno Valley, California**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2015**

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted during the fiscal year ended June 30, 2015.

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**Section III – Federal Award Findings**

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There were no federal award findings noted during the fiscal year ended June 30, 2015.

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**Section II – Financial Statement Findings**

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**Finding 2014-001: Schedule of Expenditures of Federal Awards**

The City provided the Schedule of Expenditures of Federal Awards to the auditors, but it was determined that material grants were not included and amounts needed to be revised.

**Management's Response**

Management acknowledges the incompleteness of its schedule of expenditures of federal awards (SEFA). Although the expenditure report was completed and reviewed by multiple staff in various departments the process for completing this report was reliant on project accounting records which unfortunately did not reflect accurately the fiscal year revenue and expenditures for capital projects which span across multiple fiscal years. With the implementation of new accounting software the project accounting records omitted project revenue and expenditures from prior fiscal years that generated a current fiscal year cash impact. Management has implemented a reporting structure to capture both expenditures and revenue for capital projects to ensure the accuracy of fiscal year figures reported on future SEFAs.

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**Section III – Federal Award Findings**

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There were no findings noted during the fiscal year ended June 30, 2014.



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