



CITY OF TEMPE, ARIZONA

Single Audit Reports

June 30, 2004

CITY OF TEMPE, ARIZONA

Single Audit Reports

Year ended June 30, 2004

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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***

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona:

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 Tempe, Arizona, as of and for the year ended June 30, 2004, which collectively comprise the City of Tempe's basic financial statements and have issued our report thereon dated October 20, 2004. 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

In planning and performing our audit, we considered City of Tempe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tempe's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Honorable Mayor, Members of the City Council, City 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.

KPMG LLP

October 20, 2004



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**Independent Auditors' Report on Compliance with Requirements
Applicable to its Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona:

Compliance

We have audited the compliance of City of Tempe, Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. City of Tempe's major federal programs are identified in the summary of auditors' 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 City of Tempe's management. Our responsibility is to express an opinion on City of Tempe'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 City of Tempe'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 City of Tempe's compliance with those requirements.

In our opinion, City of Tempe 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, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-01 through 04-05.

Internal Control over Compliance

The management of City of Tempe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Tempe's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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 Tempe, Arizona, as of and for the year ended June 30, 2004, and have issued our report dated October 20, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tempe's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

This report is intended for the information and use of the Honorable Mayor, Members of City Council, City 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.

KPMG LLP

October 20, 2004

CITY OF TEMPE, ARIZONA
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified Opinion.**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported**; Material weaknesses: **None.**
- (c) Noncompliance which is material to the financial statements: **None noted.**
- (d) Reportable conditions in internal control over major programs: **None reported.**
- (e) The type of report issued on compliance for major programs: **Unqualified Opinion.**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **See findings 04-01 through 04-05 below.**
- (g) Major programs:
 - **U.S. Department of Housing and Urban Development:**
 - **Section 8 Housing Choice Vouchers (CFDA No. 14.871)**
 - **Community Development Block Grant (CFDA No. 14.218)**
 - **U.S. Department of Justice:**
 - **Local Law Enforcement Block Grant (CFDA No. 16.592)**
 - **U.S. Department of Transportation:**
 - **Federal Transit – Formula Grants (Urbanized Area Formula Program) (CFDA No. 20.507)**
 - **Highway Planning and Construction (CFDA No. 20.205)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$500,000.**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

CITY OF TEMPE, ARIZONA
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

(3) Findings and Recommendations Relating to Federal Awards

Finding 04-01: U.S. Department of Justice, Local Law Enforcement Block Grant (CFDA No. 16.592)

Condition

While testing reporting requirements, we noted that the September 30, 2003 Financial Status Reports, which are required to be filed within 45 days after the end of each quarter, were not filed within the time requirements of the grant.

Questioned Cost

None

Recommendation

We recommend that the City establish procedures to help ensure that all reports are filed on a timely basis to remain in compliance with the grant requirements.

Management Response

We will endeavor to file all reports on a timely basis. Guidelines were put in place subsequent to the June 30, 2003 audit, dated October 31, 2003, to ensure that reports are filed in a timely manner.

Finding 04-02: U.S. Department of Justice, Local Law Enforcement Block Grant (CFDA No. 16.592)

Condition

While testing reporting requirements, we noted that the September 30, 2003 Financial Status Report for one of the grants reported interest and expenditures lower than what is reported on the GL.

Questioned Cost

None

Recommendation

We recommend that the City staff ensure that reports submitted to the U.S. Department of Justice be accurate.

Management Response

We will endeavor to file all reports accurately. Correct information was submitted on the final Financial Status Report for the grant. Guidelines were put in place subsequent to the June 30, 2003 audit, dated October 31, 2003, to ensure the Financial Status Reports are reviewed when submitted.

CITY OF TEMPE, ARIZONA
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Finding 04-03: U.S. Department of Justice, Local Law Enforcement Block Grant (CFDA No. 16.592)

Condition

While testing reporting requirements, we noted that the September 30, 2003 Financial Status Report for one of the grants did not properly report the interest earned.

Questioned Cost

None

Recommendation

We recommend that the City staff ensure that reports submitted to the U.S. Department of Justice be accurate.

Management Response

We will endeavor to file all reports accurately. Correct information was submitted on the final Financial Status Report for the grant. Guidelines were put in place subsequent to the June 30, 2003 audit, dated October 31, 2003, to ensure the Financial Status Reports are reviewed when submitted.

Finding 04-04: U.S. Department of Transportation, Highway Planning and Construction (CFDA No. 20.205)

Condition

While testing the Davis-Bacon Act requirements, we noted that 2 of 36 weekly payroll certifications selected were not available.

Questioned Cost

None

Recommendation

We recommend that the City staff ensure that the weekly payroll certifications are received.

Management Response

We will endeavor to ensure all payroll certifications are received and retained.

CITY OF TEMPE, ARIZONA
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Finding 04-05: U.S. Department of Transportation, Federal Transit Formula Grant (CFDA No. 20.507)

Condition

While testing reporting requirement, we noted that both of quarterly grant status reports selected for testing were submitted late.

Questioned Cost

None

Recommendation

We recommend that the City staff ensure reports are submitted on a timely basis.

Management Response

We will endeavor to file all reports on a timely basis.

CITY OF TEMPE, ARIZONA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Federal grantor/Program title (note 2)	CFDA number (note 2)	DeptID	Pass- through grantor (note 3)	Contract number	Expenditures
Department of Housing and Urban Development:					
Lower Income Housing Assistance Program	14.871	2773	N/A	SF-511V	\$ 8,364,867
Lower Income Housing Assistance Program	14.871	2779	N/A		13,611
Total CFDA 14.871					<u>8,378,478</u>
Community Development Block Grant	14.218	2767/2768/2769	N/A	B-00-MC-04-0504	266,715
Community Development Block Grant	14.218	2767/2768/2769	N/A	B-01-MC-04-0504	236,261
Community Development Block Grant	14.218	2767/2768/2769	N/A	B-02-MC-04-0504	124,244
Community Development Block Grant	14.218	2771	N/A	B-03-MC-04-0504	1,503,613
Total CFDA 14.218					<u>2,130,833</u>
Home Program	14.239	2765	MCHC		335,635
Home Program	14.239	2762	MCHC	M-02-DC-04-0227	327,169
Total CFDA 14.239					<u>662,804</u>
Total Department of Housing and Urban Development					<u>11,172,115</u>
Department of Justice:					
Victims of Crime Assistance	16.575	2449	DPS	99-811	32,109
Victims of Crime Assistance	16.575	2479	DPS	00-904	49,327
Total CFDA 16.575					<u>81,636</u>
Local Law Enforcement Block Grants Program	16.592	2287	N/A		156,846
Local Law Enforcement Block Grants Program	16.592	2288	N/A	2001-LB-BX-4068	101,202
Total CFDA 16.592					<u>258,048</u>
State Domestic Preparedness Equipment Support Program	16.007	2383	ADEM	2002-TE-CX-0142	12,763
State Domestic Preparedness Equipment Support Program	16.007	2386	ADEM	2003-TE-TX-0196	19,050
State Domestic Preparedness Equipment Support Program	16.007	SROG	ADEM	N/A	6,163
Total CFDA 16.007					<u>37,976</u>
Juvenile Accountability Incentive Block Grant	16.523	2476	GDFC	99JAIBG-22	74,530
Title V: Delinquency Prevention Program	16.548	2499		AD020014-001/Y1	78,845
Violence Against Women Formula Grants	16.588	2477	GDCO	A0-0023-001	570
Total Department of Justice					<u>153,945</u>
Total Department of Justice					<u>531,605</u>
Department of Transportation:					
State and Community Highway Safety	20.600	2284	GOHS	2001-1570P-004	30,526
State and Community Highway Safety	20.600	2214	GOHS	N/A	5,736
State and Community Highway Safety	20.600	2230	GOHS	2003-A1-004	1,163
State and Community Highway Safety	20.600	2202	GOHS	2003-157B-008	12,000
State and Community Highway Safety	20.600	2206	GOHS	2004-157B-008	9,710
Total CFDA 20.600					<u>59,135</u>
Federal Transit: Formula Grants	20.507	3914	COP	C2001219	217,600
Federal Transit: Formula Grants	20.507	6752	COP	AZ-90-X054	1,953,360
Federal Transit: Formula Grants	20.507	6001049	COP	N/A	222,873
Total CFDA 20.507					<u>2,393,833</u>
Highway Planning and Construction	20.205	6000409	ADOT	N/A	112,200
Highway Planning and Construction	20.205	6000409	ADOT	N/A	592,800
Total CFDA 20.205					<u>705,000</u>
Total Department of Transportation					<u>3,157,968</u>
Federal Emergency Management Agency:					
Assistance to Firefighters Grant	83.554	2312	N/A	EMW-2002-FG-17647	11,291
Total Federal Emergency Management Agency					<u>11,291</u>
Department of Education:					
Twenty-First Century Community Learning Centers	84.287	2468	N/A	S287B011304	22,870
Safe and Drug-Free Schools and Communities: State Grants	84.186	2465	N/A	N/A	128,753
Total Department of Education					<u>151,623</u>
Department of Health and Human Services:					
Consolidated Knowledge Development and Application (KD&A) Program	93.230	2475	GDDP	A9-0079-011	101
Total Department of Health and Human Services					<u>101</u>
Department of Labor:					
Workforce Investment Act	17.255	2460/2461	MCHSD	C-22-02-123-2-02	21,314
Total Department of Labor					<u>21,314</u>
Department of the Interior:					
Phoenix Metro/Aqin Fria Recharge Project	15.504	SROG	N/A	01-FC-32-0010	14,250
Tres Rios Project	15.504	SROG	N/A	4-FC-32-00220	—
Total Department of the Interior					<u>14,250</u>
United States Department of Agriculture:					
State Administrative Matching Grants for Food Stamp Program	10.561	2489	ADHS	HG361096	62,961
Total United States Department of Agriculture					<u>62,961</u>
National Foundation on the Arts and Humanities:					
State Library Program	45.310	2442	LAPR	N/A	26,628
State Library Program	45.310	2445	LAPR	N/A	33,004
Museum for America Grants	45.301	2405	IMLS	ML-02-03-0707-03	27,602
Museum Assessment Program	45.302	2403	IMLS	IM-01-03-0062-03	1,450
Total National Foundation on the Arts and Humanities					<u>88,684</u>
Total Expenditures of Federal Awards					<u>\$ 15,211,912</u>

See accompanying independent auditor's report on schedule of expenditures of federal awards and notes to schedule of expenditures of federal awards.

CITY OF TEMPE, ARIZONA

Notes to Schedule of Expenditures of Federal Award

Year ended June 30, 2004

(1) Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is described in note 1 to the City's basic financial statements. For purposes of the Schedule of Expenditures of Federal Awards, the City of Tempe, Arizona includes all the funds of the primary government as defined by GASB Statement 14, *The Financial Reporting Entity*. The City of Tempe, Arizona, administers certain federal assistance programs through subrecipients. Those subrecipients are not considered part of the City of Tempe, Arizona reporting entity.

(2) Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2004 Catalog of Federal Domestic Assistance.

(3) Pass-Through Grantors Reference

The following are non-Federal agencies that have passed through Federal monies to the City of Tempe, Arizona.

ADOT	Arizona Department of Transportation
ADHS	Arizona Department of Health Services
ADEM	Arizona Department of Emergency Management
COP	City of Phoenix
DPS	Arizona Department of Public Safety
GDCO	Arizona Governor's Division of Community Outreach
GDDP	Arizona Governor's Division of Drug Policy
GDFC	Arizona Governor's Division for Children
GOHS	Arizona Governor's Office of Highway Safety
IMLS	Institute of Museum and Library Services
LAPR	Arizona Department of Library, Archives and Public Records
MCHC	Maricopa County Home Consortium
MCHSD	Maricopa County Human Services Department
ADHS	Arizona Department of Health Services

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree to the amounts reported in the related federal financial reports for all major programs.

