# CITY OF TEMPE, ARIZONA
## SINGLE AUDIT REPORTING PACKAGE
### FOR THE YEAR ENDED JUNE 30, 2018

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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

Independent Auditor’s Report

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

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 City of Tempe, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Tempe, Arizona’s basic financial statements, and have issued our report thereon dated December 19, 2018. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 75.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered City of Tempe, Arizona’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 City of Tempe, Arizona’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tempe, Arizona’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 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 City of Tempe, Arizona’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 results of that testing, and not to provide an opinion on the effectiveness of the entity’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.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 19, 2018
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor’s Report

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

Report on Compliance for Each Major Federal Program
We have audited City of Tempe, Arizona’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 City of Tempe, Arizona’s major federal programs for the year ended June 30, 2018. City of Tempe, Arizona’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 the requirements of federal statutes, regulations, and the 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 City of Tempe, Arizona’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 City of Tempe, Arizona’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 City of Tempe, Arizona’s compliance.
Opinion on Each Major Federal Program
In our opinion, City of Tempe, Arizona 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 identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

City of Tempe, Arizona’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Tempe, Arizona’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance
Management of City of Tempe, Arizona 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 City of Tempe, Arizona’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 City of Tempe, Arizona’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.
City of Tempe, Arizona’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Tempe, Arizona’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tempe, Arizona as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Tempe, Arizona’s basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those basic 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 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 taken as a whole.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 19, 2018
## U.S. Department of Agriculture
Passed through Arizona Department of Health Services:
- **Supplemental Nutrition Assistance Program Cluster**
  - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
    - CFDA Number: 10.561
    - Contract Number: MA D860 180168
    - Expenditures and Transfers: $141,977
  - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
    - CFDA Number: 10.561
    - Contract Number: C-86-13-031-3-04
    - Expenditures and Transfers: $87,379
  - Total Supplemental Nutrition Assistance Program Cluster: $229,356

Total United States Department of Agriculture: $229,356

## U.S. Department of Housing and Urban Development
Direct programs:
- **CDBG - Entitlement Grants Cluster**
  - Community Development Block/Entitlement Grants
    - CFDA Number: 14.218
    - Expenditures and Transfers: $1,541,674
  - Total CDBG - Entitlement Grants Cluster: $1,541,674

Housing Voucher Cluster
- Section 8 Housing Choice Vouchers
  - CFDA Number: 14.871
  - Expenditures and Transfers: $8,633,326
- Section 8 Housing Choice Vouchers
  - CFDA Number: 14.871
  - Expenditures and Transfers: $878,542
  - Total Housing Voucher Cluster: $9,511,868

Family Self-Sufficiency Program
- CFDA Number: 14.896
- Expenditures and Transfers: $31,955

Passed through Maricopa County:
- Home Investment Partnerships Program
  - CFDA Number: 14.239
  - Expenditures and Transfers: $756,051

Total United States Department of Housing and Urban Development: $11,841,548

## U.S. Department of the Interior
Passed through State of Arizona Historic Preservation Office:
- Historic Preservation Fund Grants-In-Aid
  - CFDA Number: 15.904
  - Contract Number: AZ-13-018
  - Expenditures and Transfers: $860

Total United States Department of the Interior: $860

## U.S. Department of Justice
Direct Programs:
- **Edward Byrne Memorial Justice Assistance Grant Program**
  - CFDA Number: 16.738
  - Contract Number: 2016-DJ-BX-1010
  - Expenditures and Transfers: $24,837
  - Contract Number: 2017-WY-BX-0008
  - Expenditures and Transfers: $88,947
  - Total Edward Byrne Memorial Justice Assistance Grant Program: $113,784
- Organized Crime Drug Enforcement Task Force
  - CFDA Number: 16. Unknown
  - Expenditures and Transfers: $489
- Joint Terrorism Task Force
  - CFDA Number: 16. Unknown
  - Expenditures and Transfers: $13,627

Passed through AZ Department of Public Safety:
- Crime Victim Assistance
  - CFDA Number: 16.575
  - Expenditures and Transfers: $4,606
- Crime Victim Assistance
  - CFDA Number: 16.575
  - Contract Number: 2014-VA-GX
  - Expenditures and Transfers: $282,163
  - Total Crime Victim Assistance: $286,769

Passed through AARP Foundation:
- Juvenile Mentoring Program
  - CFDA Number: 16.726
  - Contract Number: EC-2016-02-0007
  - Expenditures and Transfers: $102,196

Total United States Department of Justice: $516,865

## U.S. Department of Transportation
Passed through AZ Department of Transportation:
- Highway Planning and Construction Cluster
  - CFDA Number: 20.205
  - Contract Number: CM-TMP-0(234)
  - Expenditures and Transfers: $2,653
  - Contract Number: CM-TMP-0(242)
  - Expenditures and Transfers: $76,624
  - Contract Number: CM-TMP-0(244)
  - Expenditures and Transfers: $87,428
  - Total Highway Planning and Construction Cluster: $169,132
# Schedule of Expenditures of Federal Awards

CITY OF TEMPE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th>Federal Grantor/Program Title</th>
<th>CFDA Number</th>
<th>Contract Number</th>
<th>Total Expenditures and Transfers</th>
<th>Payment to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passed through City of Phoenix:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit Cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit Formula Grants</td>
<td>20.507</td>
<td>VM-RPTA</td>
<td>1,717,938</td>
<td></td>
</tr>
<tr>
<td>Federal Transit Formula Grants</td>
<td>20.507</td>
<td>VM-Rail</td>
<td>288,198</td>
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</tr>
<tr>
<td>Total Federal Transit Cluster</td>
<td></td>
<td></td>
<td>2,006,136</td>
<td></td>
</tr>
<tr>
<td>Passed through AZ Governor's Office of Highway Safety:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Safety Cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2018-AL-029</td>
<td>50,000</td>
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<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2018-PTS-068</td>
<td>17,224</td>
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<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2018-Al-012</td>
<td>15,079</td>
<td></td>
</tr>
<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2016-CIOT-017</td>
<td>(701)</td>
<td></td>
</tr>
<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2017-PT-058</td>
<td>24,607</td>
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<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2017-AL-046</td>
<td>12,162</td>
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<tr>
<td>State and Community Highway Safety</td>
<td>20.600</td>
<td>2017-OP-016</td>
<td>7,884</td>
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<tr>
<td>National Priority Safety Programs</td>
<td>20.616</td>
<td>2018-405h-017</td>
<td>8,673</td>
<td></td>
</tr>
<tr>
<td>National Priority Safety Programs</td>
<td>20.616</td>
<td>2018-405d-049</td>
<td>60,630</td>
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<tr>
<td>National Priority Safety Programs</td>
<td>20.616</td>
<td>2018-405b-008</td>
<td>12,096</td>
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<tr>
<td>National Priority Safety Programs</td>
<td>20.616</td>
<td>2018-CIOT-024</td>
<td>10,000</td>
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<tr>
<td>National Priority Safety Programs</td>
<td>20.616</td>
<td>2018-CIOT-024</td>
<td>29,894</td>
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<tr>
<td>Total Highway Safety Cluster</td>
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<td></td>
<td>247,548</td>
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<tr>
<td>Passed through Institute of Museum and Library Services:</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Grants to States</td>
<td>45.310</td>
<td>2017-0170-16</td>
<td>31,775</td>
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<tr>
<td>Grants to States</td>
<td>45.310</td>
<td>2017-0320-04</td>
<td>3,200</td>
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<tr>
<td>Total Institute of Museum and Library Services</td>
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<td></td>
<td>34,975</td>
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<tr>
<td>Passed through U.S. Department of Health and Human Services:</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Block Grants for Prevention and Treatment of Substance Abuse</td>
<td>93.959</td>
<td></td>
<td>47</td>
<td></td>
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<tr>
<td>Total United States Department of Health and Human Services</td>
<td></td>
<td></td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Passed through U.S. Department of the Homeland Security:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Assistance to Firefighters Grant</td>
<td>97.044</td>
<td>EMW-2002-FG-17647</td>
<td>553</td>
<td></td>
</tr>
<tr>
<td>Total CFDA 97.044</td>
<td></td>
<td></td>
<td>553</td>
<td></td>
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<tr>
<td>Passed through U.S. Department of the Homeland Security:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>17-AZDOHS-HSGP-170213-01</td>
<td>34,092</td>
<td></td>
</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>17-AZDOHS-HSGP-170824-01</td>
<td>7,611</td>
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<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>16-AZDOHS-HSGP-160825-02</td>
<td>27,664</td>
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<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>16-AZDOHS-HSGP-160825-01</td>
<td>1,927</td>
<td></td>
</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>170824-02</td>
<td>110,094</td>
<td></td>
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<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>150824-03</td>
<td>192,885</td>
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<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>160824-01</td>
<td>4,344</td>
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</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>160211-01</td>
<td>(95)</td>
<td></td>
</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>170823-01</td>
<td>43,534</td>
<td></td>
</tr>
<tr>
<td>Total Homeland Security Grant Program</td>
<td>97.067</td>
<td></td>
<td>422,056</td>
<td></td>
</tr>
<tr>
<td>Total United States Department of the Homeland Security</td>
<td></td>
<td></td>
<td>422,609</td>
<td></td>
</tr>
</tbody>
</table>

Total Expenditures of Federal Awards  

$15,630,397 $293,958

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See accompanying independent auditor’s report on schedule of expenditures of federal awards and notes to schedule of expenditure of federal awards.
NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Tempe, Arizona under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 4 – INDIRECT COST RATE

The District has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.
Summary of Auditor’s Results:

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal control over major programs:
- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: Yes

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Numbers</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>CDBG Entitlement Grants Cluster</td>
</tr>
<tr>
<td>14.239</td>
<td>HOME Investment Partnerships Program</td>
</tr>
<tr>
<td>14.871</td>
<td>Housing Voucher Cluster</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee: No

**Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards**: No

**Findings and Questioned Costs Related to Federal Awards**: Yes

**Summary Schedule of Prior Audit Findings required to be reported**: Yes
FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2018-001
Repeat Finding: Yes – 2017-003
Program Name/CFDA Title: HOME Investment Partnerships Program
CFDA Number: 14.239
Federal Agency: U.S. Department of Housing and Urban Development
Federal Award Number: N/A
Pass-Through Agency: Maricopa County
Questioned Costs: N/A
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement: Subrecipient Monitoring

CRITERIA
If a subrecipient provides HOME funds to for-profit owners or developers, non-profit organizations, subrecipients, homeowners, homebuyers, tenants receiving tenant-based rental assistance, or contractors, the subrecipient must have a written agreement that contains the applicable provisions in 24 CFR section 92.504(c). Also, in accordance with 2 CFR section 200.331, pass-through entities must evaluate the risk of noncompliance with federal statutes, regulations and terms and conditions of subawards and determine the appropriate monitoring activities of the subrecipient to ensure the subaward is properly used.

CONDITION
Risk assessment procedures were not properly documented. As a result, the determination of the appropriate extent of subrecipient monitoring could not be determined.

CAUSE
Written documentation of the evaluation of the risk of noncompliance for subrecipients with federal statutes, regulations and terms and conditions of the subaward was not maintained.

EFFECT
The City lacked proper internal controls to ensure subrecipients were properly identified, evaluated, and monitored. Therefore, Uniform Guidance requirements for subrecipient monitoring were not met.

CONTEXT
For one subrecipient that received a material amount of HOME Investment Partnerships Program grant funding, there was no documentation over the risk assessment of the subrecipient to determine reasonable assurance that the subrecipient administered federal awards in compliance with federal requirements.
FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2018-001

RECOMMENDATION
The City should enhance its internal controls to ensure all potential subrecipients go through a formally documented risk assessment and subsequent monitoring process.

VIEWS OF RESPONSIBLE OFFICIALS
See Corrective Action Plan.
FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2018-002  
Repeat Finding: Yes – 2017-006 and 2016-007  
Program Name/CFDA Title: CDBG Entitlement Grants Cluster  
CFDA Number: 14.218  
Federal Agency: U.S. Department of Housing and Urban Development  
Federal Award Number: N/A  
Pass-Through Agency: N/A  
Questioned Costs: N/A  
Type of Finding: Noncompliance  
Compliance Requirement: Reporting

CRITERIA
Grantees of the Community Development Block Grant Entitlement Program utilize the Integrated Disbursement and Information System (IDIS) to complete annual performance and evaluation reports. Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the Program 90 days after the end of a grantee’s program year.

CONDITION
The program year 2017 C04PR26 – CDBG Financial Summary Report did not disclose program income or funds disbursed in IDIS for section 108 repayments.

CAUSE
The City, with working with HUD, has not been able to ensure proper reporting can be completed related to section 108 repayments.

EFFECT
An incomplete C04PR26 – CDBG Financial Summary Report was submitted to the U. S. Department of Housing and Urban Development for the 2017 program year. This report underreported program income of $46 and Section 108 repayments of $405,000.

CONTEXT
The C04PR26 – CDBG Financial Summary Report is filed annually. The program year 2017 covers the July 1, 2017 – June 30, 2018 time period and was submitted by the September 30, 2018 deadline.

RECOMMENDATION
Financial reports should be reviewed to ensure they are complete and accurate prior to submission.

VIEWS OF RESPONSIBLE OFFICIALS
See Corrective Action Plan.
December 19, 2018

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year’s Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year’s audit.

Sincerely,

Naomi Farrell
Human Services Director
Findings and Questioned Costs Related to Federal Awards

Finding Number: 2018-001
Program Name/CFDA Title: HOME Investment Partnerships Program
CFDA Number: 14.239
Contact Person: LeVon Lamy
Anticipated Completion Date: April 1, 2019
Planned Corrective Action: It is important to note that this is an audit finding related to documenting the risk assessment completed for an individual sub-recipient. However, it must be noted that the specific sub-recipient completed 10 individual activities during the audit period. Each of the 10 individual activities was fully monitored on an individual basis effectively creating a 100 percent monitoring of the specific sub-recipient and no concerns or findings were identified.

Risk Assessment documentation has been added to the file checklist to ensure adequate risk assessment documentation going forward.

Finding Number: 2018-002
Program Name/CFDA Title: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Contact Person: LeVon Lamy
Anticipated Completion Date: June 30, 2019
Planned Corrective Action: Through more coordinated efforts between HUD, the City’s Financial Services Department and the City’s Housing Services Division, a procedure will be developed for the sharing of information required for the completion of the C04PR26 – CDBG Financial Summary Report.
Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2017-001
Program Name/CFDA Title: Housing Vouchers Cluster
CFDA Number: 14.871
Status: Fully corrected.

Finding Number: 2017-002
Program Name/CFDA Title: Housing Vouchers Cluster
CFDA Number: 14.871
Status: Fully corrected.

Finding Number: 2017-003
Program Name/CFDA Titles: CDBG Entitlement Grants Cluster
HOME Investment Partnerships Program
CFDA Numbers: 14.218, 14.239
Status: Partially corrected.
Planned Corrective Action: See Corrective Action Plan.

Finding Number: 2017-004
Program Name/CFDA Title: CDBG Entitlement Grants Cluster
CFDA Number: 14.218
Status: Fully corrected.

Finding Number: 2017-005
Program Name/CFDA Title: Housing Vouchers Cluster
CFDA Number: 14.871
Status: Fully corrected.

Finding Number: 2017-006, 2016-007
Program Name/CFDA Title: CDBG Entitlement Grants Cluster
CFDA Number: 14.218
Status: Not corrected.
Planned Corrective Action: See Corrective Action Plan.

Finding Number: 2017-007
Program Name/CFDA Title: HOME Investment Partnerships Program
CFDA Number: 14.239
Status: Fully corrected.