

**CITY OF TEMPE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2013**

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SINGLE AUDIT REPORTING PACKAGE
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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

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, 2013, 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 5, 2013. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 63.

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 City'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 5, 2013



**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 OMB CIRCULAR A-133**

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 the City of Tempe, Arizona's 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 City of Tempe, Arizona's major federal programs for the year ended June 30, 2013. 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 laws, regulations, contracts, and grants 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 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, 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 for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal program is not modified with respect to this matter.

City of Tempe, Arizona's response to the noncompliance 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.

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 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 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 2013-1 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 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 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, 2013, 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 5, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 5, 2013

**CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ 426,139
Total Department of Agriculture			426,139
<u>U.S. Department of Housing and Urban Development</u>			
Direct program:			
Community Development Block Grant, Entitlement Grants Cluster			
Community Development Block Grant	14.218	N/A	1,951,148
ARRA: Community Development Block Grant	14.253	N/A	28,485
Total Community Development Block Grant, Entitlement Grants Cluster			1,979,633
ARRA: Homelessness Prevention & Rapid Re-Housing Program	14.257	N/A	8,715
Section 8 Housing Choice Vouchers	14.871	N/A	8,902,737
Passed through Maricopa County:			
Home Investment Partnerships Program	14.239	N/A	446,288
Total Department of Housing and Urban Development			11,337,373
<u>U.S. Department of the Interior</u>			
Passed through National Park Service:			
Historic Preservation Fund	15.904	441119	8,731
Total Department of the Interior			8,731
<u>U.S. Department of Justice</u>			
Direct program:			
Organized Crime Drug Enforcement Task Force	16.Unknown	N/A	42,739
Drug Enforcement Agency Task Force	16.Unknown	N/A	67,001
Joint Terrorism Task Force	16.Unknown	N/A	14,502
Enforcing Underage Drinking Laws Program	16.727	N/A	10,698
Passed through Arizona Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program Cluster			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States	16.803	N/A	4,067
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	2010-DJ-BX-1317	37,166
Total Edward Byrne Memorial Justice Assistance Grant Program Cluster			41,233
Passed through Arizona Governor's Division for Children:			
Juvenile Accountability Block Grant	16.523	N/A	8,052
Total Department of Justice			184,225
<u>U.S. Department of Transportation</u>			
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	N/A	216,305
Highway Planning and Construction	20.205	TMP-0(214)A	18,199
Highway Planning and Construction	20.205	N/A	216,305
Highway Planning and Construction	20.205	TMP-0(215)A	220,580
Total Highway Planning and Construction			671,389

**CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Transportation (Concl'd)</u>			
Passed through City of Phoenix:			
Federal Transit Cluster			
Federal Transit: Formula Grants	20.507	AZ-90-X109	60,481
Federal Transit: Formula Grants	20.507	AZ-95-X009	187,020
Federal Transit: Formula Grants	20.507	AZ-90-X114	5,443,251
Federal Transit: Formula Grants	20.507	AZ-05-0204	793,815
ARRA:Federal Transit: Formula Grants	20.507	AZ-96-X002	646,032
ARRA:Federal Transit: Formula Grants	20.507	AZ-04-0011	995,145
ARRA:Federal Transit: Formula Grants	20.507	AZ-05-0205	51,571
Total Federal Transit Cluster			<u>8,177,315</u>
Passed through Arizona Governor's Office of Highway Safety:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2012-PT-033	5,348
State and Community Highway Safety	20.600	2012-OP-014	12,879
State and Community Highway Safety	20.600	2013-PT-008	25,846
State and Community Highway Safety	20.600	2013-OP-003	10,080
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	N/A	29,262
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2013-410-010	42,290
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2012-410-016	9,149
Total Highway Safety Cluster			<u>134,854</u>
Total Department of Transportation			<u>8,983,558</u>
<u>U.S. Department of Library Services</u>			
Passed through the Arizona Department of Health Services:			
State Library Program	45.310	N/A	<u>3,709</u>
Total Department of Library Services			<u>3,709</u>
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA: Energy Efficiency and Conservation Block Grant	81.128	N/A	<u>73,728</u>
Total Department of Energy			<u>73,728</u>
<u>U.S. Department of Education</u>			
Passed through the Arizona Governor's Office of Economic Recovery:			
ARRA: State Fiscal Stabilization Fund - Government Services	84.397	OER-11-IGA-GS-73	<u>69,685</u>
Total Department of Education			<u>69,685</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	<u>158,785</u>
Total Department of Health and Human Services			<u>158,785</u>

**CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>Executive Office of the President</u>			
Direct Program:			
High Intensity Drug Trafficking Areas Program	95.001	N/A	117,402
Total Executive Office of the President			117,402
<u>U.S. Department of the Homeland Security</u>			
Passed through Arizona Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	N/A	50,596
Homeland Security Cluster			
Homeland Security Grant Program	97.067	888829-01	365,000
Homeland Security Grant Program	97.067	999823-01	65,781
Homeland Security Grant Program	97.067	888213-01	26,998
Homeland Security Grant Program	97.067	888213-03	1,629
Homeland Security Grant Program	97.067	999822-01	64,769
Homeland Security Grant Program	97.067	888213-02	710,763
Homeland Security Grant Program	97.067	888828-02	99,097
Homeland Security Grant Program	97.067	888828-01	4,504
Homeland Security Grant Program	97.067	999213-01	2,383
Total Homeland Security Cluster			1,340,924
Total Department of the Homeland Security			1,391,520
Total Expenditures of Federal Awards			\$22,754,855

CITY OF TEMPE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Tempe, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

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 section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
20.507	Federal Transit Cluster – Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$682,646

Auditee qualified as low-risk auditee? X yes no

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: 2013-1

Program: Federal Transit Cluster

CFDA Number: 20.507

Federal Agency: U.S. Department of Transportation

Pass-Through Agency: City of Phoenix

Applicable ARRA Programs: ARRA - Federal Transit: Formula Grants

Grantor Number: AZ-96-X002

Questioned Costs: N/A

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Reporting

CRITERIA

City management is responsible for establishing and maintaining internal controls to ensure that all account balances are properly recorded on the Schedule of Expenditures of Federal Awards.

CONDITION/CONTEXT

The City incurred expenditures in fiscal year 2012 for the Federal Transit Cluster Program of \$1,891,564. These expenditures were not submitted for federal reimbursement until fiscal year 2013. The City's Transit Division did not properly record the federal revenue accrual at year end. Year-end review procedures did not catch this error and caused expenditures to not be properly reported on the Schedule of Expenditures of Federal Awards.

EFFECT

The Schedule of Expenditures of Federal Awards was understated by a total of \$1,891,564 in fiscal year 2012.

CAUSE

The City's Transit Division's year-end procedures failed to properly identify two federal grant expenditures recorded in June 2012 for ARRA Grant AZ-96-X002. As a result of the oversight, the related grant revenue was not being properly accounted for in the period of availability. This was isolated to Transit Grant AZ-96-X002.

RECOMMENDATION

The City should develop year-end procedures to ensure that all transit expenditures are properly recorded in the City's Schedule of Expenditures of Federal Awards.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Concl'd)

Reference Number: 2013-1 (Concl'd)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

As there are overall grant internal controls in place, the City believes this is an isolated oversight. The City will analyze the oversight and develop additional year-end procedures to ensure that all relevant transit expenditures are properly reflected on the Schedule of Expenditures of Federal Awards.

Transit Program Accounting Contact: Joe Clements, Transportation Financial Analyst
Accounting Contact: Karen Huffman, Controller
Anticipated Completion Date: Fiscal year 2013-14

**CITY OF TEMPE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

Status of Federal Award Findings and Questioned Costs

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.