



City of Tempe, Arizona
Single Audit Reporting Package
Year Ended June 30, 2019

**CITY OF TEMPE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2019**

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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 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, the budgetary comparisons for the General Fund and the Transit Special Revenue Fund, and the aggregate remaining fund information of City of Tempe, Arizona, as of and for the year ended June 30, 2019, 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 17, 2019. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 88.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2019-001 that we consider to be a material weakness.

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*.

City of Tempe, Arizona's Response to Finding

City of Tempe, Arizona's response to the 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 the financial statements and, accordingly, we express no opinion on the response.

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. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 17, 2019

**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

The 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, 2019. 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 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 for the year ended June 30, 2019.

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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the General Fund and the Transit Special Revenue Fund, and the aggregate remaining fund information of City of Tempe, Arizona as of and for the year ended June 30, 2019, 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 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole.

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. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 17, 2019

CITY OF TEMPE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF AGRICULTURE								
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.551	ARIZONA DEPARTMENT OF HEALTH SERVICES	C-86-13-031-3-04		\$14,482	\$306,401	SNAP CLUSTER	\$306,401
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.551	ARIZONA DEPARTMENT OF HEALTH SERVICES	C-86-13-031-3-02		\$474	\$306,401	SNAP CLUSTER	\$306,401
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.551	ARIZONA DEPARTMENT OF HEALTH SERVICES	C-86-13-031-3-03		\$5,000	\$306,401	SNAP CLUSTER	\$306,401
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.551	ARIZONA DEPARTMENT OF HEALTH SERVICES	MA D860 180168		\$112,593	\$306,401	SNAP CLUSTER	\$306,401
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.551	ARIZONA DEPARTMENT OF HEALTH SERVICES	MA D860 180168		\$173,852	\$306,401	SNAP CLUSTER	\$306,401
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$306,401</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218			\$96,523	\$3,634,016	\$3,634,016	CDBG - ENTITLEMENT GRANTS CLUSTER	\$3,634,016
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	MARICOPA COUNTY	N/A		\$582,931	\$582,931	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				\$9,496,793	\$9,496,793	HOUSING VOUCHER CLUSTER	\$9,503,676
MAINSTREAM VOUCHERS	14.879				\$6,883	\$6,883	HOUSING VOUCHER CLUSTER	\$9,503,676
FAMILY SELF-SUFFICIENCY PROGRAM	14.896				\$76,400	\$76,400	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>\$96,523</u>	<u>\$13,797,023</u>			
DEPARTMENT OF THE INTERIOR								
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	ARIZONA HISTORIC PRESERVATION OFFICE	AZ-13-018		\$6,325	\$6,325	N/A	\$0
TOTAL DEPARTMENT OF THE INTERIOR					<u>\$6,325</u>			
DEPARTMENT OF JUSTICE								
CRIME VICTIM ASSISTANCE	16.575	ARIZONA DEPARTMENT OF PUBLIC SAFETY	N/A		\$369,658	\$538,958	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575	ARIZONA DEPARTMENT OF PUBLIC SAFETY	2014-VA-GX		\$169,300	\$538,958	N/A	\$0
JUVENILE MENTORING PROGRAM	16.726	AARP FOUNDATION	2018-JF-FX-0038		\$11,749	\$11,749	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738				\$88,371	\$88,371	N/A	\$0
ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCE	16.U01				\$890	\$890	N/A	\$0
JOINT TERRORISM TASK FORCE	16.U02				\$11,501	\$11,501	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE					<u>\$651,469</u>			
DEPARTMENT OF TRANSPORTATION								
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A		\$306	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A		\$219,714	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A		\$2,360,047	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A		\$134,124	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406

HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A	\$35,858	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406
HIGHWAY PLANNING AND CONSTRUCTION	20.205	ARIZONA DEPARTMENT OF TRANSPORTATION	N/A	\$2,386,357	\$5,136,406	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$5,136,406
FEDERAL TRANSIT_ FORMULA GRANTS	20.507	CITY OF PHOENIX	VM-RPTA	\$1,568,492	\$1,868,428	FEDERAL TRANSIT CLUSTER	\$1,868,428
FEDERAL TRANSIT_ FORMULA GRANTS	20.507	CITY OF PHOENIX	VM-RAIL	\$299,936	\$1,868,428	FEDERAL TRANSIT CLUSTER	\$1,868,428
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-AL-031	\$119,819	\$183,084	HIGHWAY SAFETY CLUSTER	\$344,403
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-PTS-053	\$36,025	\$183,084	HIGHWAY SAFETY CLUSTER	\$344,403
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-AL-029	\$19,464	\$183,084	HIGHWAY SAFETY CLUSTER	\$344,403
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-PTS-068	\$7,776	\$183,084	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-CIOT-025	\$10,000	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-405H-017	\$6,326	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-405D-049	\$27,497	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-405B-008	\$8,474	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405B-012	\$29,645	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-040	\$75,344	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405H-019	\$4,033	\$161,319	HIGHWAY SAFETY CLUSTER	\$344,403
TOTAL DEPARTMENT OF TRANSPORTATION				\$7,349,237			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES							
GRANTS TO STATES	45.310	STATE OF ARIZONA LIBRARY, ARCHIVES, AND PUBLIC RECORDS	2017-0170-16	\$4,338	\$27,015	N/A	\$0
GRANTS TO STATES	45.310	STATE OF ARIZONA LIBRARY, ARCHIVES, AND PUBLIC RECORDS	2017-0320-04	\$6,400	\$27,015	N/A	\$0
GRANTS TO STATES	45.310	STATE OF ARIZONA LIBRARY, ARCHIVES, AND PUBLIC RECORDS	2016-36001-08	\$2,293	\$27,015	N/A	\$0
GRANTS TO STATES	45.310	STATE OF ARIZONA LIBRARY, ARCHIVES, AND PUBLIC RECORDS	2018-0170-6	\$10,984	\$27,015	N/A	\$0
GRANTS TO STATES	45.310	STATE OF ARIZONA LIBRARY, ARCHIVES, AND PUBLIC RECORDS	2018-0260-0-H	\$3,000	\$27,015	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES				\$27,015			
EXECUTIVE OFFICE OF THE PRESIDENT							
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	CITY OF TUCSON	HT-16-2616	\$167,350	\$167,350	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				\$167,350			
DEPARTMENT OF HOMELAND SECURITY							
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180822-01	\$81,506	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	170823-01	\$70,588	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	170824-01	\$4,518	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180823-01	\$84,688	\$308,007	N/A	\$0

HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180216-01	\$60,830	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	170824-02	\$1,598	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	160825-03	\$57	\$308,007	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	180823-03	\$4,222	\$308,007	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>\$308,007</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$96,523</u>	<u>\$22,612,827</u>		

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

CITY OF TEMPE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City Of Tempe under programs of the federal government for the year ended June 30, 2019. 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. 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.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Catalogue of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 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.

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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: Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- 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: No

Identification of major programs:

CFDA Numbers
14.871, 14.879

Name of Federal Program or Cluster
Housing Voucher Cluster

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*: Yes

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: Yes

**CITY OF TEMPE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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

Finding Number: FS-2019-001

Repeat Finding: No

Type of Finding: Material Weakness

Description: Internal Controls Over Financial Reporting

CRITERIA

City management is responsible for establishing and maintaining procedures to ensure that revenues and expenditures are properly reported in accordance with generally accepted accounting principles (GAAP).

CONDITION

Audit adjustments were required to properly state revenues and expenditures.

CAUSE

A proper review over year end revenue accruals was not performed. Additionally, the City recorded certain expenditure activity for operational ease rather than external financial reporting.

EFFECT

Audit adjustments were required to properly state revenues, expenditures, and, consequently, fund balance in the Transit Special Revenue Fund within the governmental fund financial statements.

CONTEXT

The following errors were noted during our review of year-end accruals requiring audit adjustments to correct the errors:

- Approximately \$1.6 million of revenue in the Transit Special Revenue Fund was improperly recognized when it was measurable but not available.
- Approximately \$1.2 million of expenditure refunds in the Transit Special Revenue Fund were improperly recognized when they were measurable but not available.

RECOMMENDATION

The City should ensure year-end accruals are thoroughly reviewed before finalizing the general ledger.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

City of Tempe

Internal Services Department
Financial Services- Accounting
PO Box 5002
Tempe, AZ 85280
www.tempe.gov



December 17, 2019

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,

Thomas Duensing
Deputy Internal Services Director- Finance

**CITY OF TEMPE, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding Number: FS-2019-001

Contact Person: Tom Duensing, Deputy Internal Services Director - Finance

Anticipated Completion Date: June 30, 2020

Planned Corrective Action: We concur with the finding. We will implement procedures to ensure all year-end accruals are thoroughly reviewed by multiple staff members to ensure revenues and expenditures are recorded in the correct fiscal year.

**CITY OF TEMPE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2018-001

Program Name/CFDA Title: HOME Investment Partnerships Program

CFDA Number: 14.239

Status: Fully corrected.

Finding Number: 2018-002

Program Name/CFDA Title: CDBG Entitlement Grants Cluster

CFDA Number: 14.218

Status: Fully Corrected.