

CITY OF GLENDALE, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2013

**CITY OF GLENDALE, ARIZONA
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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 City Council
City of Glendale, Arizona
Glendale 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 the City of Glendale, Arizona (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Glendale, Arizona's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Glendale, 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 the City of Glendale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glendale, Arizona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

The Honorable Mayor and Members of City Council
City of Glendale, Arizona

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003 to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Glendale, 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 Glendale, Arizona's Response to Findings

The City of Glendale, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Glendale, Arizona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona
December 12, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Members of City Council
City of Glendale, Arizona
Glendale, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Glendale, Arizona (City)'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 the City of Glendale, Arizona's major federal programs for the year ended June 30, 2013. The City of Glendale, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Glendale, 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 the City of Glendale, 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 the City of Glendale, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Glendale, 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 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

The City of Glendale, Arizona's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Glendale, 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 the City of Glendale, 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 the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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 the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005, that we consider to be significant deficiencies.


The City of Glendale, Arizona's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The Honorable Mayor and Members of City Council
City of Glendale, Arizona

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 result 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 the City of Glendale, Arizona as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Phoenix, Arizona
December 12, 2013

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
CDBG - Entitlement Grants Cluster (14.218, 14.253, 14.254)			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-040506	\$ 1,845,067
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-040506	311,246
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program	14.218	B-08-MN-040503	575,811
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program	14.218	B-11-MN-0503	597,405
			<u>3,329,529</u>
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-04-0506	71,323
CDBG - Entitlement Grants Cluster Total			<u>3,400,852</u>
Emergency Solutions Grant Program	14.231	E-11-MC-040506	31,600
Emergency Solutions Grant Program	14.231	E-12-MC-040506	114,072
			<u>145,672</u>
(Sub-recipient of Maricopa County, AZ)			
HOME Investment Partnerships Program	14.239	M-08-DC-04-0227	27,312
HOME Investment Partnerships Program	14.239	M-09-DC-04-0227	133,286
HOME Investment Partnerships Program	14.239	M-10-DC-04-0227	223,138
HOME Investment Partnerships Program	14.239	M-11-DC-04-0227	211,060
HOME Investment Partnerships Program	14.239	M-12-DC-04-0227	23,881
			<u>618,677</u>
Office of Public and Indian Housing			
Public and Indian Housing	14.850	SF-466	469,512
Housing Voucher Cluster (14.871, 14.879, & 14.880)			
Section 8 Housing Choice Vouchers	14.871	SF-512 V	8,345,818
Housing Voucher Cluster Total			<u>8,345,818</u>
Capital Fund Program (CFP) Cluster (14.872, 14.884 & 14.885)			
Public Housing Capital Fund	14.872	AZ20P003501-11 ()	134,621
Public Housing Capital Fund	14.872	AZ20P003501-12 ()	3,365
Public Housing Capital Fund Total			<u>137,986</u>
CFP Cluster Total			<u>137,986</u>
Total U.S. Department of Housing and Urban Development			<u>13,118,517</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (Pass-Through Grantor) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>U.S. Department of the Interior</u>			
Bureau of Reclamation			
Water Conservation Field Services Program (WCFSP)	15.530	R10AP32067	\$ 7,356
National Park Service			
Save America's Treasures	15.929	Contract #04-09-ML-0906	42,103
Total U.S. Department of the Interior			49,459
<u>U.S. Department of Justice</u>			
Criminal Division			
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0579	11,788
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0613	45,000
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0620	17,339
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0630	2,841
			<u>76,968</u>
Office of Juvenile Justice and Delinquency Prevention			
(Sub-recipient of City of Phoenix, Arizona Internet Crimes Against Children Task Force)			
Missing Children's Assistance	16.543	2009-MC-CX-K013 continuation	4,999
National Institute of Justice			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2010-DN-BX-K132	40,324
Office of Victims of Crime			
(Sub-recipient of Arizona Department of Public Safety)			
Crime Victim Assistance	16.575	2011-VA-GX-0019, State #2011-294	66,178
Office on Violence Against Women			
(Sub-recipient of Governor's Office for Children, Youth and Families)			
Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-03	69,272
Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-03Y2	58,297
			<u>127,569</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2012-WE-AZ-0049	75,929
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	2010 - No grant number	3,534
Project Safe Neighborhoods	16.609	PSN-12-001 / PSN-13-006	15,255

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>U.S. Department of the Interior</u>			
JAG Program Cluster (16.738, 16.803, & 16.804)			
(Sub-recipient of Maricopa County)			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	C-2011-083-3-00	\$ 164,499
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CRI11-12-002	20,290
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3298	26,119
			210,908
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-2970	395,860
JAG Program Cluster Total			606,768
Edward Byrne Memorial Competitive Grant Program	16.751	2011-MU-BX-0024	105,049
Congressionally Recommended Awards	16.753	2010-DD-BX-0714	722,970
Criminal Division			
Equitable Sharing Program	16.922	No grant number	13,260
Drug Enforcement Administration--DEA Phoenix Task Force	16.000	No grant number	34,404
Federal Bureau of Investigation--Joint Terrorism Task Force	16.000	No grant number	16,660
Federal Bureau of Investigation--Financial Crimes and Mortgage Fraud Task Force	16.000	No grant number	17,202
United States Secret Service Electronic Crimes Task Force	16.000	No grant number	2,602
United States Postal Inspection Service--Triple I Parcel Task Force	16.000	No grant number	506
Total U.S. Department of Justice			1,930,177
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration (FAA)			
Airport Improvement Program	20.106	3-04-0064-020-2010	269,476
Airport Improvement Program	20.106	3-04-0064-022-2012	125,365
Airport Improvement Program	20.106	3-04-0064-023-2012	140,688
			535,529
Federal Highway Administration (FHWA)			
Highway Planning and Construction Cluster (20.205, 20.219, & 23.003)			
(Sub-recipient of Arizona Department of Transportation)			
Highway Planning and Construction	20.205	CM GLN-0(203) A	38,351
Highway Planning and Construction	20.205	CM GLN-0(222) A	54,488
Highway Planning and Construction	20.205	CM GLN-0(220) A	24,973
Highway Planning and Construction	20.205	JPA 09-204I, Pjt # GLN-0(221)A	16,433
Highway Planning and Construction	20.205	JPA 09-205I, Pjt # GLN-0(223)A	36,204
Highway Planning and Construction	20.205	JPA 09-209I, Pjt # GLN-0(229)A	75,249
Highway Planning and Construction	20.205	JPA 10-176I; STP-GLN-0(232)A	216,663
Highway Planning and Construction	20.205	JPA 11-059I; GLN-0(235)A	36,480
Highway Planning and Construction Cluster Total			498,841

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (Pass-Through Grantor) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Transit Administration (FTA)			
Federal Transit Cluster (20.500 & 20.507)			
(Sub-recipient of City of Phoenix, Arizona)			
Federal Transit Formula Grants	20.507	AZ-90-X096	\$ 33,481
Federal Transit Formula Grants	20.507	AZ-95-X006-01	207,475
Federal Transit Cluster Total			<u>240,956</u>
Transit Services Programs Cluster (20.513, 20.516 & 20.521)			
(Sub-recipient of City of Phoenix, Arizona)			
Job Access_Reverse Commute	20.516	AZ-37-X017	137,447
Job Access_Reverse Commute	20.516	AZ-37-X017	85,503
Job Access_Reverse Commute	20.516	AZ-37-X014	110,845
			<u>333,795</u>
(Sub-recipient of City of Phoenix, Arizona)			
New Freedom Program	20.521	AZ-57-X012	42,278
New Freedom Program	20.521	AZ-57-X012	30,863
			<u>73,141</u>
Transit Services Programs Cluster Total			<u>406,936</u>
National Highway Traffic Safety Administration (NHTSA)			
Highway Safety Cluster (20.600 - 20.602, 20.609 - 20.613)			
(Sub-recipient of Arizona Governor's Office of Highway Safety)			
State and Community Highway Safety	20.600	2011-OP-023	3,049
State and Community Highway Safety	20.600	2012-OP-016	1,280
State and Community Highway Safety	20.600	2013-OP-005	10,000
			<u>14,329</u>
(Sub-recipient of Arizona Governor's Office of Highway Safety)			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2012-410-010	9,753
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2013-HF-001	41,862
			<u>51,615</u>
Highway Safety Cluster Total			<u>65,944</u>
(Sub-recipient of Arizona Governor's Office of Highway Safety)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2013-164-073	12,347
Total U.S. Department of Transportation			<u>1,760,553</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (Pass-Through Grantor) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>National Endowment for the Humanities</u>			
(Sub-recipient of the Arizona Humanities Council)			
Promotion of the Humanities-Federal/State Partnership	45.129	GG09-5513-2011	\$ 8,000
Total National Endowment for the Humanities			8,000
<u>Institute of Museum and Library Services</u>			
(Sub-recipient of the Arizona State Library, Archives and Public Records)			
Grants to States	45.310		3,258
Total Institute of Museum and Library Services			3,258
<u>U.S. Department of Energy</u>			
Energy Efficiency and Conservation Block Grant Program (EECBG) Recovery funded			
	81.128	DE-EE0000837	775,587
Total U.S. Department of Energy			775,587
<u>U.S. Department of Health and Human Services (DHHS)</u>			
Centers for Disease Control and Prevention			
Immunization Grants Cluster (93.268 & 93.712)			
(Sub-recipient of Maricopa County Public Health Dept, Arizona)			
Immunization Cooperative Agreements	93.268	C86-09-0072-3-00	17,278
Administration for Children and Families			
TANF Cluster (93.558, 93.714, & 93.716)			
(Sub-recipient of Arizona Department of Economic Security)			
Temporary Assistance for Needy Families	93.558	DE111089001	150,000
TANF Cluster Total			150,000
(Sub-recipient of Arizona Department of Economic Security)			
Low-Income Home Energy Assistance	93.568	DE111089001	608,600
CSBG Cluster (93.569 & 93.710)			
(Sub-recipient of Arizona Department of Economic Security)			
Community Services Block Grant	93.569	DE111089001	191,197
CSBG Cluster Total			191,197
Total U.S. Department of Health and Human Services			967,075
<u>Executive Office of the President</u>			
(Sub-recipient of City of Tucson, Arizona Police Department)			
High Intensity Drug Trafficking Areas Program HIDTA			
	95.001	HT21-11-0723	19,204
High Intensity Drug Trafficking Areas Program HIDTA			
	95.001	HT-13-2313	21,778
Total Executive Office of the President			40,982

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor (Pass-Through Grantor) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2013 Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-06148	\$ 1,081
(Sub-recipient of Arizona Department of Homeland Security)			
Homeland Security Grant Program	97.067	555201-01	10,708
Homeland Security Grant Program	97.067	777206-02	55,584
Homeland Security Grant Program	97.067	888205-01	8,839
Homeland Security Grant Program	97.067	888810-01	14,026
Homeland Security Grant Program	97.067	888810-02	42,735
Homeland Security Grant Program	97.067	888810-03	1,295
Homeland Security Grant Program	97.067	777810-03	115,000
Homeland Security Grant Program	97.067	999808-01	1,212
Homeland Security Grant Program	97.067	999808-02	29,739
Homeland Security Grant Program	97.067	777810-04	65,000
Homeland Security Grant Program	97.067	888809-01	23,480
Homeland Security Grant Program	97.067	888809-02	8,687
Homeland Security Grant Program	97.067	888214-01	178,459
Homeland Security Grant Program	97.067	999807-01	43,313
Homeland Security Grant Program	97.067	999807-02	19,375
Homeland Security Grant Program	97.067	999205-02	2,674
			<u>620,126</u>
Total U.S. Department of Homeland Security			<u>621,207</u>
Total Federal Financial Assistance			<u>\$ 19,274,815</u>

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 1 BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Glendale, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Federal awards received directly from Federal agencies, as well as federal financial assistance passed through other entities, are included on the schedule of expenditures of federal awards.

Amounts reported in the accompanying schedule of expenditures of federal awards may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because of accruals that would be included in the subsequent reports filed with the agencies.

NOTE 2 RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS) AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (PROPRIETARY FUNDS)

(Amounts Expressed in Thousands)

Intergovernmental Revenues:		
from General Fund	\$ 50,040	
from Transportation Fund	2,757	
from General Obligation Debt Service Fund	630	
from Non-Major Governmental Funds	23,093	
Total from Governmental Funds	<u>76,520</u>	\$ 76,520
from Water and Sewer Fund	549	
from Housing Fund - Operating revenues	8,827	
from Housing Fund - Capital grants	126	
Total from Proprietary Funds	<u>9,502</u>	9,502
Total Intergovernmental Revenues		<u>86,022</u>
Less Non-Federal Revenue from General Fund:		
State and local intergovernmental revenues	<u>(50,040)</u>	(50,040)
Less Non-Federal Revenue from Transportation Fund:		
State LTAF revenue	(667)	
Other state and local intergovernmental revenues	<u>(943)</u>	(1,610)
Less Federal Revenue from General Obligation Debt Service Fund:		
Build America Bonds revenue (see Note 3)	<u>(630)</u>	(630)
Less Non-Federal Revenue from Non-Major Governmental Funds:		
State and HURF revenues in Highway Users Gas Tax Fund	(12,415)	
State and local grants in Other Special Revenue Funds	(1,423)	
State and local revenues in Capital Projects Funds - Western Loop 101 PFC Construction	<u>(59)</u>	(13,897)
Less Federal Revenue from Proprietary Funds:		
Build America Bonds revenue in Water and Sewer fund (see Note 3)	<u>(549)</u>	(549)
Plus (Less) Immaterial Timing Differences:		
Federal revenues in Non-Major Governmental Funds recorded for prior fiscal year expenditures	<u>(21)</u>	<u>(21)</u>
Total Adjustments		<u>(66,747)</u>
Schedule of Expenditures of Federal Awards, Total Federal Financial Assistance		<u>\$ 19,275</u>

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 3 FEDERAL ASSISTANCE NOT INCLUDED

Expenditures related to assistance not considered Federal awards in accordance with OMB Circular A-133 have not been presented in this schedule as follows:

Build America Bond Subsidies:	(in thousands)
in General Obligation Debt Service Fund	\$ 630
in Water and Sewer Enterprise Fund	549
Total Build America Bond Subsidies	<u>\$ 1,179</u>

NOTE 4 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.

Each program included in the CFDA is assigned a five-digit program identification number (CFDA number), the first two digits designating federal agency and the last three digits designating federal assistance program within the federal agency. The CFDA number is reflected in the Schedule of Expenditures of Federal Awards (SEFA). Federal assistance programs and awards which have not been assigned a CFDA number, but have a grant award or agreement number, are assigned a five digit code consisting of the first two digits indicating federal agency and the last three digits all zeros.

Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are considered a cluster of programs. The only program clusters presented on the SEFA are those mandated by OMB in the most recent Circular A-133 Compliance Supplement (March 2013). The SEFA is structured to present the federal assistance information by cluster with the title of the cluster appearing in the heading.

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City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 5 SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of Glendale, Arizona provided federal awards to sub-recipients as follows:

Pass-Thru Grantee/Program	Federal CFDA Number	Federal Expenditures
Community Development Block Grants/Entitlement Grants Sub-recipients:		
ABIL - Home Accessibility Program	14.218	\$ 43,011
Habitat for Humanity - Minor Home Repair Program	14.218	336,393
St Vincent de Paul - Keeping Families Together	14.218	50,422
Community Information & Referral - CONTACTS Hotline	14.218	10,365
Community Information & Referral - 2.1.1.	14.218	15,539
A New Leaf Foundation - Faith House Emergency Shelter	14.218	20,719
A New Leaf Foundation - Behavioral Health Center (FY 2010-2011)	14.218	205,311
A New Leaf Foundation - Transitional Shelter (FY 2011-2012)	14.218	84,890
Central Arizona Shelter Services	14.218	20,719
Central Arizona Shelter Services - Commercial Dryers	14.218	25,276
St Mary's Food Bank Alliance - Home Food Delivery	14.218	31,079
St Mary's Food Bank Alliance - Emergency Food Box Program	14.218	36,259
YWCA of Maricopa County - Congregate Meals	14.218	46,618
YWCA of Maricopa County - Meals on Wheels	14.218	10,360
Boys & Girls Club of Metropolitan Phoenix - Glendale After-School Program	14.218	20,719
DUET - Partners in Health & Aging (formerly Beatitudes Center D.O.A.R.)	14.218	13,468
Community Legal Services - Removing Barriers to Access to Justice	14.218	15,539
Community Legal Services - Fair Housing	14.218	15,000
Chrysalis	14.218	9,382
Back to School Clothing Drive	14.218	10,356
Florence Crittenton Service of Arizona - Transitional Living	14.218	14,413
Total Community Development Block Grants/Entitlement Grants Sub-recipients		1,035,838
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program (NSP) Sub-recipients:		
Habitat for Humanity - Central Arizona - Acquisition/Rehabilitation	14.218	493,337
Native American Connection/Land Banking - Acquisition	14.218	11,345
Caesar Chavez Foundation (formerly National Farm Workers Service Center)	14.218	5,611
Habitat for Humanity - Central Arizona - Acquisition/Rehabilitation Foreclosed Properties	14.218	535,290
Total Community Development Block Grants/Entitlement Grants - NSP Sub-recipients		1,045,583
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) Sub-recipients:		
Valleylife - Group Homes	14.253	68,392
HOME Investment Partnerships Program Sub-recipients:		
Habitat for Humanity - Central Arizona - Acquisition/In-fill	14.239	\$ 429,960

(Continued)

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 5 SUB-RECIPIENTS (CONTINUED)

Pass-Thru Grantee/Program	CFDA Number	Federal Expenditures
Emergency Solutions Grants Program Sub-recipients:		
Central Arizona Shelter Services - Emergency Shelter Services	14.231	\$ 32,642
Homeward Bound - Shelter Operations	14.231	20,316
A New Leaf Foundation - Faith House Emergency Shelter	14.231	32,642
UMOM New Day Centers, Inc.	14.231	18,896
Total Emergency Solutions Grants Program Sub-recipients		<u>104,496</u>
 Total Federal Awards expended by sub-recipients of the City of Glendale		 <u>\$ 2,684,269</u>

NOTE 6 PROGRAM INCOME

The federal expenditures presented in the Schedule of Expenditures of Federal Awards for the City of Glendale, Arizona, do not include expenditures funded by program income. The following schedule shows total grant-related expenditures and their funding source (federal, program income or general fund match) for HUD grants, as these are the only grants with program income:

Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Total Expenditures
Community Development Block Grants/Entitlement Grants			
Federal Expenditures reported on SEFA	14.218	<u>\$ 2,156,313</u>	\$ 2,156,313
Plus Expenditures funded by Program Income			<u>52,659</u>
Total Grant-Related Expenditures			2,208,972
 Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program			
Federal Expenditures reported on SEFA	14.218	<u>1,173,216</u>	1,173,216
Plus Expenditures funded by Program Income			<u>298,934</u>
Total Grant-Related Expenditures			1,472,150
 Community Development Block Grant ARRA Entitlement Grants (CDBG-R)			
Federal Expenditures reported on SEFA	14.253	<u>71,323</u>	71,323
Plus Expenditures funded by Program Income			<u>-</u>
Total Grant-Related Expenditures			71,323
 HOME Investment Partnerships Program			
Federal Expenditures reported on SEFA	14.239	<u>618,677</u>	618,677
Plus Expenditures funded by Program Income			7,525
Plus Expenditures funded by General Fund Match			<u>71,849</u>
Total Grant-Related Expenditures			\$ 698,051

(Continued)

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 6 PROGRAM INCOME (CONTINUED)

Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Total Expenditures
Emergency Solutions Grants Program			
Federal Expenditures reported on SEFA	14.231	\$ 145,672	\$ 145,672
Plus Expenditures funded by Program Income			-
Total Grant-Related Expenditures			145,672
Public and Indian Housing			
Federal Expenditures reported on SEFA:			
Section 8 Housing Choice Vouchers	14.871	8,345,818	
Public and Indian Housing	14.850	469,512	
Public Housing Capital Fund	14.872	137,986	8,953,316
Plus Expenditures funded by Program Income (Tenant Revenue)			289,177
Plus Expenditures funded by Other Fees & Revenues			230,806
Plus Expenditures in excess of Revenues			1,026,784
Total Grant-Related Expenditures			10,500,083
Total HUD Expenditures reported on SEFA		\$ 13,118,517	
Total HUD Grant-Related Expenditures			\$ 15,096,251

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes 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 Circular A-133, Section .510(a)? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers
16.738 and 16.804	ARRA Justice Assistance Grant Cluster
16.753	Congressionally Recommended Awards
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$578,244

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-001

Condition/Context: Material audit adjustments were proposed by the auditors and subsequently recorded by management to recognize revenues in the governmental activities government-wide financial statements. In the fund financial statements, court revenues, sales tax revenues and property tax revenues not collected within 30 days of fiscal year end were appropriately recorded as deferred inflows of resources; however, adjustments were not recorded by management to recognize revenues unavailable in the fund financial statements as revenues in the governmental activities government-wide financial statements. Additionally, sales tax revenues collected by the City are initially recorded in a liability account called “unidentified sales revenue”. Those cash receipts are recognized as revenue when the sales tax remitter is identified. However, at year-end, unidentified sales tax revenues were recorded as a liability and were not recognized as revenue in the fund financial statements, resulting in an understatement of revenues.

Criteria: Generally accepted accounting principles.

Effect: Adjustments were proposed by the auditors and subsequently recorded by management to correct an understatement of revenues in the government-wide financial statements. Additionally, prior year court revenues and sales tax revenues were not recognized as revenues in the government-wide financial statements, resulting in an overstatement of revenues in the current fiscal. The lack of internal controls over revenue recognition could result in a material misstatement in the financial statements.

Cause: The lack of staff, and specifically personnel responsible with oversight during the year-end close-out, contributed to the error in revenue recognition.

Recommendation: We recommend the City review the design and implementation of its internal controls over the year-end close-out procedures and determine the adequacy of the staffing level and assignment of oversight to ensure revenues are appropriately recognized. Additionally, the year-end closing adjustments should be designed to address sales tax collections remaining in the “unidentified sales tax” liability account and should be recognized as revenue.

Views of Responsible Officials and Corrective Action Plan: Internal controls over revenue recognition which ensure revenues earned are recorded in the correct period are important for financial reporting.

The City will review the year end steps taken to manually record revenues in the governmental activities government-wide financial statements and record revenue where applicable and material. The City will also take the steps to analyze the revenues earned but not received to determine the probability of collection and record an offsetting allowance for collectability. In addition, sales tax cash receipts will be monitored throughout the fiscal year to ensure the tax remitter is identified and revenue is recorded on a timely basis.

Contact Person: Tom Duensing, Executive Director

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-002

Condition/Context: All functions of the year-end close-out procedures were not reviewed by an individual independent of preparing the year-end schedules and statements. During the audit, corrections were proposed by the auditors to properly present capital asset schedules, the schedule of self-insured claims incurred and paid, the balance sheet of the fund financial statements and the statement of net position of the government-wide financial statements to appropriately present deferred inflows of resources, deferred outflows of resources, and unearned revenue, and several revenue adjustments were proposed to correct revenue in the government-wide financial statements.

Criteria: Internal controls would dictate that year-end closing procedures be reviewed by an individual independent of preparation of the statements and schedules to minimize the risk of a material misstatement.

Effect: Several reclassifications were proposed by the auditors to correct the financial statements and schedules.

Cause: Due to a lack of staff and specifically personnel responsible with oversight during the year-end close-out, several processes were not reviewed prior to preparation of the draft financial statements.

Recommendation: We recommend the City review the design and implementation of its internal controls over the year-end close-out procedures and determine the adequacy of the staffing level and assignment of oversight to ensure all schedules and statements are adequately reviewed to ensure statements and schedules are accurate and prepared in accordance with generally accepted accounting principles.

Views of Responsible Officials and Corrective Action Plan: Review of year-end closing procedures by a staff person independent of the preparation of the statements and schedules is an important internal control.

The City hired the oversight staff in fiscal year 2014 necessary to perform the oversight function of year-end closing procedures.

Contact Person: Tom Duensing, Executive Director

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-003

Condition/Context: During the fiscal year ended June 30, 2013, a lack of segregation of duties was noted over several individual accounts for airport tie down fees. For the accounts noted, the account holders elected to make quarterly payments. The quarterly payments were not invoiced and the individual responsible for e-mailing or calling the account holder to request payment was also responsible for cash handling and record keeping functions.

Criteria: Internal controls would dictate that the duties of cash handling, record keeping and reconciliations be segregated to prevent a misstatement due to fraud or error.

Effect: We did not note a misstatement; however, the lack of segregation of duties provides an opportunity for a misstatement due to error or fraud.

Cause: The airport did not utilize the miscellaneous receipts desk to invoice customers.

Recommendation: We recommend the City review the design and implementation of its internal controls over all airport accounts and segregate the duties of cash handling and record keeping. Additionally, we recommend an invoice be prepared and reviewed for all billings to customers to support the amount billed and subsequently collected.

Views of Responsible Officials and Corrective Action Plan: Proper segregation of duties is an important internal control over recording accounts receivable and subsequent cash collections of City revenues.

The City-wide billing system on Sharepoint can be accessed by remote locations. Staff at remote locations need to fully use this system and its associated reports to help manage billing and subsequent cash collection of revenues. The system effectively segregates the billing and cash collection function for most accounts except for the customers that pay for items in advance. City staff at remote locations are still responsible for record keeping of customer account information such as who paid, how much, what period and whether they are paid in full. The City will take additional steps to ensure all staff at remote locations uses the City-wide billing system consistently.

Contact Person: Tom Duensing, Executive Director

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-004

U.S. Department of Justice

ARRA Justice Assistance Grant Program Cluster

CFDA Number: 16.738 and 16.804

Pass-Through Entity: Maricopa County

Pass-Through Number: C-2011-083-3-00, CRI11-12-002, 2011-DJ-BX-3298, and 2009-SB-B9-2970

Award Period: June 22, 2010 through September 30, 2013; October 1, 2011 through September 30, 2012; October 10, 2010 through September 30, 2014; and March 1, 2009 through February 28, 2013

Condition: Grant expenditures recorded during the fiscal year ended June 30, 2013 were for goods acquired during the fiscal year ended June 30, 2012.

Context: Two of six disbursements tested.

Criteria: OMB Circular A-133 – Period of Availability dictates that expenditures should be incurred within the grant period to be eligible for reimbursement and grant expenditures should be recognized in the period in which the expenditure was incurred.

Questioned Costs: None.

Effect: Noncompliance with OMB Circular A-133 and expenditures reported on the federal schedule were overstated by an immaterial dollar amount in the current fiscal year and expenditures on the previous year schedule of federal expenditures was understated by an immaterial amount.

Cause: Year-end close-out procedures in the previous fiscal year did not adequately identify expenditures that should have been accrued at year-end.

Recommendation: We recommend the City review its year-end close-out and cut-off procedures to determine procedures are properly designed and implemented to record expenditures in the period incurred.

Corrective Action Plan: Year-end cutoff procedures are important to ensure expenses are identified and recorded in the correct period. In addition, they ensure grant expenses incurred can be reimbursed in a timely manner.

Another important procedure is to pay for goods and services that are positively identified as being received or services performed during the correct period. The expenses related to this finding involved purchases of equipment on a complex project. As such the confirmation and processing of payments for goods ordered and received occurred after year-end. Year-end cutoff procedures will continue to be communicated to the organization in a timely manner with an emphasis on the importance of a year-end cutoff for identifying and recording expenses in the proper period.

Contact Person: Tom Duensing, Executive Director

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-005

U.S. Department of Energy

ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

CFDA Number: 81.128

Direct Grant

Award Period: November 6, 2009 through November 5, 2012

Condition: The quarterly federal financial reports and the quarterly 1512 reports were not reviewed and approved by an employee independent of report preparation.

Context: Three of four quarterly federal financial reports tested and three of four quarterly 1512 reports tested.

Criteria: Internal controls over compliance for federal grant reporting.

Questioned Costs: None.

Effect: Although no matters of noncompliance were noted, the lack of an independent review of quarterly reports prior to submission could result in a misstatement going undetected and uncorrected.

Cause: Evidence of an independent review of the quarterly federal financial reports and quarterly 1512 reports was not documented.

Recommendation: We recommend the City review the design and implementation of its internal controls over compliance to ensure adequate documentation is retained to prove an independent review of the quarterly financial reports are completed to mitigate the opportunity for errors.

Corrective Action Plan: Independent review of financial data contained in reports that are transmitted to external agencies is an important internal control to ensure the information reported is accurate, documented and fully supported by the City's general ledger system.

The City will ensure an independent review is performed on financial reports by allocating staff time to support and separate the report review activity from the report preparation activity.

Contact Person: Tom Duensing, Executive Director

City of Glendale, Arizona (An Arizona Municipality)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.