

CITY OF GLENDALE, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2014

**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, 2014, 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 10, 2014.

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 2014-001 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

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 10, 2014



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, 2014. 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, 2014.

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 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

The City of Glendale, Arizona's response to the noncompliance finding 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-003 that we consider to be a significant deficiency.

The City of Glendale, 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. The City'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 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 10, 2014, 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.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 10, 2014

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 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-12-MC-040506	\$ 1,772,231
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-040506	237,432
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program	14.218	B-08-MN-040503	382,331
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program	14.218	B-11-MN-040503	1,197,090
			<u>3,589,084</u>
CDBG - Entitlement Grants Cluster Total			<u>3,589,084</u>
Emergency Solutions Grant Program	14.231	E-11-MC-040506	19,233
Emergency Solutions Grant Program	14.231	E-12-MC-040506	51,568
Emergency Solutions Grant Program	14.231	E-13-MC-040506	111,245
			<u>182,046</u>
(Sub-recipient of Maricopa County, AZ)			
HOME Investment Partnerships Program	14.239	M-09-DC-04-0227	58,930
HOME Investment Partnerships Program	14.239	M-11-DC-04-0227	189,752
HOME Investment Partnerships Program	14.239	M-12-DC-04-0227	223,168
HOME Investment Partnerships Program	14.239	M-13-DC-04-0227	18,014
			<u>489,864</u>
Office of Public and Indian Housing			
Public and Indian Housing	14.850	SF-466	531,098
Housing Voucher Cluster (14.871, 14.879, & 14.880)			
Section 8 Housing Choice Vouchers	14.871	SF-512 V	8,403,414
Housing Voucher Cluster Total			<u>8,403,414</u>
Capital Fund Program (CFP) Cluster (14.872, 14.884 & 14.885)			
Public Housing Capital Fund	14.872	AZ20P003501-11	55,804
Public Housing Capital Fund	14.872	AZ20P003501-12	100,779
Public Housing Capital Fund Total			<u>156,583</u>
CFP Cluster Total			<u>156,583</u>
Total U.S. Department of Housing and Urban Development			<u>13,352,089</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 Federal Expenditures
<u>U.S. Department of the Interior</u>			
Bureau of Reclamation			
(sub-recipient of City of Phoenix, Arizona, Sub-Regional Operating Group (SROG))			
Title XVI Water Reclamation and Reuse Program	15.504	R13AC32025	\$ 16,094
Total U.S. Department of the Interior			16,094
<u>U.S. Department of Justice</u>			
Criminal Division			
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0630	9,876
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0670	9,385
Joint Law Enforcement Operations (JLEO)	16.111	SW-AZ-0674	100,702
Joint Law Enforcement Operations (JLEO)	16.111	M-14-D08-O-000086	9,000
			<u>128,963</u>
(Sub-recipient of City of Phoenix, Arizona Internet Crimes Against Children Task Force)			
Missing Children's Assistance	16.543	2009-MC-CX-K013 continuation	5,000
National Institute of Justice			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2010-DN-BX-K132	53,496
Office of Victims of Crime			
(Sub-recipient of Arizona Department of Public Safety)			
Crime Victim Assistance	16.575	2013-VA-GX-0000 State #2013-078	84,564
Bureau of Justice Assistance			
(Sub-recipient of Rutgers the State University of New Jersey)			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2012-IJ-CX-0038	29,298
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-12-2366-03Y2	53,949
Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-03Y3	65,212
			<u>119,161</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2012-WE-AZ-0049	134,506
Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants	16.710	2013-ULWX-0003	11,538

City of Glendale, Arizona (An Arizona Municipality)

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 Federal Expenditures
<u>U.S. Department of Justice (Continued)</u>			
Bureau of Justice Assistance			
JAG Program Cluster (16.738, 16.803, & 16.804) (Sub-recipient of Maricopa County)			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1182	\$ 94,222
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3298	42,279
			<u>136,501</u>
JAG Program Cluster Total			<u>136,501</u>
Edward Byrne Memorial Competitive Grant Program	16.751	2011-MU-BX-0024	83,619
Congressionally Recommended Awards	16.753	2010-DD-BX-0714	277,030
Criminal Division			
Equitable Sharing Program	16.922	No grant number	7,552
Drug Enforcement Administration--DEA Phoenix Task Force	16.000	No grant number	18,931
Federal Bureau of Investigation--Joint Terrorism Task Force	16.000	No grant number	15,573
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	557
United States Postal Inspection Service--Triple I Parcel Task Force	16.000	No grant number	223
Total U.S. Department of Justice			<u>1,123,714</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration (FAA)			
Airport Improvement Program	20.106	3-04-0064-022-2012	47,819
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	5,100
Highway Planning and Construction	20.205	CM GLN-0(222) A	12,443
Highway Planning and Construction	20.205	CM GLN-0(220) A	6,096
Highway Planning and Construction	20.205	JPA 09-204I, Pjt # GLN-0(221)A	6,497
Highway Planning and Construction	20.205	JPA 11-060I, Pjt # GLN-0(236)A	34,983
Highway Planning and Construction	20.205	JPA 11-059I; GLN-0(235)A	2,043
(Sub-recipient of Maricopa Association of Governments)			
Highway Planning and Construction	20.205	CMAQ	190,384
Highway Planning and Construction Cluster Total			<u>257,546</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 Federal Expenditures
<u>U.S. Department of Transportation (Continued)</u>			
Federal Transit Administration (FTA)			
Federal Transit Cluster (20.500, 20.507, 20.525 & 20.526)			
(Sub-recipient of City of Phoenix, Arizona)			
Federal Transit - Capital Investment Grants	20.500	AZ-04-0014	\$ 240,969
(Sub-recipient of City of Phoenix, Arizona)			
Federal Transit - Formula Grants	20.507	AZ-90-X096	167,549
Federal Transit - Formula Grants	20.507	AZ-90-X103	125,920
Federal Transit - Formula Grants	20.507	AZ-90-X009	13,936
Federal Transit - Formula Grants	20.507	AZ-90-X109	279,758
Federal Transit - Formula Grants	20.507	AZ-95-X006-01	56,937
Federal Transit - Formula Grants (Recovery Funded)	20.507	AZ-96-X002-01	33,916
			<u>678,016</u>
Federal Transit Cluster Total			<u>918,985</u>
Transit Services Programs Cluster (20.513, 20.516 & 20.521)			
(Sub-recipient of City of Phoenix, Arizona)			
Job Access and Reverse Commute Program	20.516	AZ-37-X017	78,038
(Sub-recipient of City of Phoenix, Arizona)			
New Freedom Program	20.521	AZ-57-X012	12,781
New Freedom Program	20.521	AZ-57-X016	99,632
			<u>112,413</u>
Transit Services Programs Cluster Total			<u>190,451</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	2013-AI-008	20,000
State and Community Highway Safety	20.600	2013-AI-007	6,000
State and Community Highway Safety	20.600	2014-PT-060	5,000
State and Community Highway Safety	20.600	2014-PT-041	26,744
State and Community Highway Safety	20.600	2014-PT-011	14,477
State and Community Highway Safety	20.600	2014-CIOT-006	8,000
			<u>80,221</u>
(Sub-recipient of Arizona Governor's Office of Highway Safety)			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2013-HF-001	1,398
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2014-410-010	40,493
			<u>41,891</u>
Highway Safety Cluster Total			<u>122,112</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 Federal Expenditures
<u>U.S. Department of Transportation (Continued)</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	\$ 27,653
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2013-164-075	44,500
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2013-164-074	75,700
			<u>147,853</u>
Total U.S. Department of Transportation			<u>1,684,766</u>
<u>Institute of Museum and Library Services</u>			
(Sub-recipient of the Arizona State Library, Archives and Public Records)			
Grants to States	45.310	No grant number	1,814
Grants to States	45.310	No grant number	15,934
Total Institute of Museum and Library Services			<u>17,748</u>
<u>U.S. Department of Energy</u>			
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG) Recovery funded	81.128	DE-EE0000837	222,927
Total U.S. Department of Energy			<u>222,927</u>
<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	5,833
Administration for Children and Families			
TANF Cluster (93.558 & 93.714)			
(Sub-recipient of Arizona Department of Economic Security)			
Temporary Assistance for Needy Families	93.558	DE111089001	149,985
TANF Cluster Total			<u>149,985</u>
(Sub-recipient of Arizona Department of Economic Security)			
Low-Income Home Energy Assistance	93.568	DE111089001	634,038
CSBG Cluster (93.569 & 93.710)			
(Sub-recipient of Arizona Department of Economic Security)			
Community Services Block Grant	93.569	DE111089001	170,572
CSBG Cluster Total			<u>170,572</u>
Total U.S. Department of Health and Human Services			<u>960,428</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor (<i>Pass-Through Grantor</i>) Program or Cluster Title	Federal CFDA Number	Federal/State Grant Pass-Thru #	FY 2014 Federal Expenditures
<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	HT-13-2313	\$ 18,222
High Intensity Drug Trafficking Areas Program HIDTA	95.001	HT-14-2313	19,412
Total Executive Office of the President			<u>37,634</u>
<u>U.S. Department of Homeland Security</u>			
(Sub-recipient of Arizona Department of Homeland Security)			
Homeland Security Grant Program	97.067	999808-01	56,731
Homeland Security Grant Program	97.067	999808-02	21,969
Homeland Security Grant Program	97.067	888810-04	27,221
Homeland Security Grant Program	97.067	888810-05	20,701
Homeland Security Grant Program	97.067	888214-01	4,894
Homeland Security Grant Program	97.067	999807-01	14,003
Homeland Security Grant Program	97.067	999807-02	8,093
Homeland Security Grant Program	97.067	999205-02	35,822
Homeland Security Grant Program	97.067	130811-01	55,522
Homeland Security Grant Program	97.067	130811-02	940
Homeland Security Grant Program	97.067	999808-03	34,230
Homeland Security Grant Program	97.067	888809-03	21,660
Homeland Security Grant Program	97.067	888809-04	51,708
Homeland Security Grant Program	97.067	888205-02	7,183
Homeland Security Grant Program	97.067	130810-01	99,828
Homeland Security Grant Program	97.067	130810-02	32,440
			<u>492,945</u>
Total U.S. Department of Homeland Security			<u>492,945</u>
Total Federal Financial Assistance			<u>\$ 17,908,345</u>

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	\$ 54,005	
from Transportation Fund	3,958	
from General Obligation Debt Service Fund	601	
from Non-Major Governmental Funds	<u>22,800</u>	
Total from Governmental Funds		\$ 81,364
from Water and Sewer Fund	283	
from Housing Fund - Operating revenues	9,090	
from Housing Fund - Capital grants	<u>113</u>	
Total from Proprietary Funds		<u>9,486</u>
Total Intergovernmental Revenues		<u>90,850</u>
Less Non-Federal Revenue from General Fund:		
State and local intergovernmental revenues	<u>(54,005)</u>	(54,005)
Less Non-Federal Revenue from Transportation Fund:		
State LTAF II revenue	(669)	
Other state and local intergovernmental revenues	<u>(2,147)</u>	(2,816)
Less Federal Revenue from General Obligation Debt Service Fund:		
Build America Bonds revenue (see Note 3)	<u>(601)</u>	(601)
Less Non-Federal Revenue from Non-Major Governmental Funds:		
State and HURF revenues in Highway Users Gas Tax Fund	(12,790)	
State and local grants in Other Special Revenue Funds	<u>(2,357)</u>	(15,147)
Less Federal Revenue from Proprietary Funds:		
Build America Bonds revenue in Water and Sewer fund (see Note 3)	<u>(267)</u>	(267)
Plus (Less) Immaterial Timing Differences:		
Federal revenues in Non-Major Governmental Funds not recorded in the current year	6	
Federal revenues in Housing Fund recorded for prior fiscal year expenditures	<u>(112)</u>	<u>(106)</u>
Total Adjustments		<u>(72,942)</u>
Schedule of Expenditures of Federal Awards, Total Federal Financial Assistance		<u>\$ 17,908</u>

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	\$ 601
in Water and Sewer Enterprise Fund	<u>267</u>
Total Build America Bond Subsidies	<u><u>\$ 868</u></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 2014 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 2014). 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, 2014

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	\$ 57,833
Habitat for Humanity - Minor Home Repair Program	14.218	466,546
St Vincent de Paul - Keeping Families Together	14.218	59,022
Central Arizona Shelter Services - Men's Overflow Shelter	14.218	10,000
Central Arizona Shelter Services - Vista Colina/Family Shelter	14.218	15,000
Central Arizona Shelter Services - Vista Colina Improvements	14.218	14,710
Central Arizona Shelter Services - Single Adult Improvements	14.218	24,919
St Mary's Food Bank Alliance - Home Food Delivery	14.218	30,000
YWCA of Maricopa County - Congregate Meals	14.218	40,000
YWCA of Maricopa County - Meals on Wheels	14.218	40,000
DUET - Partners in Health & Aging (formerly Beatitudes Center D.O.A.R.)	14.218	13,500
Community Legal Services - Fair Housing	14.218	5,759
Chrysalis Shelter	14.218	15,000
VALLEYLIFE	14.218	1,147
Total Community Development Block Grants/Entitlement Grants Sub-recipients		<u>793,436</u>
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program (NSP) Sub-recipients:		
Habitat for Humanity - Central Arizona - Acquisition/Rehabilitation	14.218	385,704
Habitat for Humanity - Central Arizona - Acquisition/Rehabilitation Foreclosed Properties	14.218	699,841
Gorman Group - Multi-Housing	14.218	390,000
Total Community Development Block Grants/Entitlement Grants - NSP Sub-recipients		<u>1,475,545</u>
HOME Investment Partnerships Program Sub-recipients:		
Habitat for Humanity - Central Arizona - Acquisition/In-fill	14.239	319,483
Total HOME Investment Partnerships Program Sub-recipients		<u>319,483</u>
Emergency Solutions Grants Program Sub-recipients:		
Central Arizona Shelter Services - Emergency Shelter Services	14.231	18,901
Homeward Bound - Shelter Operations	14.231	23,512
UMOM New Day Centers, Inc.	14.231	16,636
A New Leaf Foundation - Faith House Emergency Shelter	14.231	15,272
Total Emergency Solutions Grants Program Sub-recipients		<u>74,321</u>
Total Federal Awards expended by sub-recipients of the City of Glendale		<u>\$ 2,662,785</u>

City of Glendale, Arizona (An Arizona Municipality)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	\$ 2,009,663	\$ 2,009,663
Plus Expenditures funded by Program Income			57,783
Total Grant-Related Expenditures			<u>2,067,446</u>
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program			
Federal Expenditures reported on SEFA	14.218	1,579,421	1,579,421
Plus Expenditures funded by Program Income			446,705
Total Grant-Related Expenditures			<u>2,026,126</u>
HOME Investment Partnerships Program			
Federal Expenditures reported on SEFA	14.239	489,864	489,864
Plus Expenditures funded by Program Income			230,033
Plus Expenditures funded by General Fund Match			5,653
Total Grant-Related Expenditures			<u>725,550</u>
Emergency Solutions Grants Program			
Federal Expenditures reported on SEFA	14.231	182,046	182,046
Plus Expenditures funded by Program Income			-
Total Grant-Related Expenditures			<u>182,046</u>
Public and Indian Housing			
Federal Expenditures reported on SEFA:			
Section 8 Housing Choice Vouchers	14.871	8,403,414	
Public and Indian Housing	14.850	531,098	
Public Housing Capital Fund	14.872	156,583	9,091,095
Plus Expenditures funded by Program Income (Tenant Revenue)			308,900
Plus Expenditures funded by Other Fees & Revenues			206,472
Plus Expenditures in excess of Revenues			611,663
Total Grant-Related Expenditures			<u>10,218,130</u>
Total HUD Expenditures reported on SEFA		<u>\$ 13,352,089</u>	
Total HUD Grant-Related Expenditures			<u>\$ 15,219,298</u>

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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>
14.218	Community Development Block Grant
14.871	Section 8 Housing Choice Vouchers
20.507	Federal Transit Formula Grant
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)
93.568	Low-Income Energy Assistance Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$537,250

Auditee qualified as low-risk auditee? yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-001

Condition/Context: During the audit, we noted that the City exports capital assets to Excel in order to manually calculate depreciation expense. Additionally, as part of the audit we proposed and the City adjusted construction in progress and depreciable assets for capital assets that remained in construction in progress, but were previously placed in service.

Criteria: Internal controls would dictate that, based on the size and number of assets the City depreciates, the City should utilize an automated capital assets management system that accurately calculates and depreciates capital assets. Additionally, internal controls should be designed to identify construction in progress that has been placed into service to accurately value the capital assets.

Effect: Utilizing Excel to calculate depreciation expense and accumulated depreciation could result in an error going undetected and uncorrected. An addition, due to the lack of proper internal controls to identify and capitalize completed construction, material audit adjustments were proposed and subsequently recorded to properly value capital assets.

Cause: Capital assets are exported to Excel to calculate depreciation expense due to an unknown error in the capital assets management system. In addition, adequate procedures were not designed and implemented to ensure all assets reported in construction in progress have been evaluated to determine whether the asset has been placed into service.

Recommendation: We recommend the City review its current capital asset management system to determine the source of the error that prevents the City from utilizing the depreciation function and/or consider acquiring a capital assets management system that will provide adequate support for the City to depreciate capital assets through an automated system. In addition, the City should design year-end procedures that determine whether construction in progress has been placed into service and should be capitalized and depreciated.

Views of Responsible Officials and Corrective Action Plan: The City concurs with this recommendation and will implement year-end procedures that determine when assets have been placed into service and capitalize completed construction projects. In addition, the City is exploring options for acquiring capital asset management software including potentially implementing the capital asset module in PeopleSoft.

The City is also exploring the use of project identification chart field (project ID) in the financial system to track capital improvement projects. The project ID will allow accounting staff to run a query on the financial data associated with each construction project. By using the field, the nonfinancial data such as completion date and status of the project can also be captured in the financial system.

Contact Person: Tom Duensing, Director of Finance and Technology

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-002

Condition/Context: The City has numerous immaterial account balances recorded in the general ledger as either unearned revenue or deferred inflows of resources. It was noted that most of these account balances were neither an unearned revenue nor a deferred inflow of resource, rather the account was established as a holding account until it could be determined the appropriate revenue line to record the activity in the general ledger.

Criteria: Internal controls would dictate that revenue, if earned and available, should be recorded as revenue in the general ledger.

Effect: Unearned revenue and deferred inflows of resources were overstated by an immaterial dollar amount and revenue was understated by an immaterial dollar amount.

Cause: The balances were not material to the financial statements and therefore the accounts were not adjusted to their correct balance at year end.

Recommendation: We recommend the City design procedures to more timely identify revenue sources in order to recognize revenue in the general ledger.

Views of Responsible Officials and Corrective Action Plan: The City concurs with this recommendation will review its unearned revenue and deferred inflows of resources accounts. In addition, the City will implement procedures to identify and recognize revenue timely.

Contact Person: Tom Duensing, Director of Finance and Technology

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-003

U.S. Department of Health and Human Services

Low-Income Home Energy Assistance Program (LIHEAP)

CFDA Number: 93.568

Pass-Through Entity: Arizona Department of Economic Security

Pass-Through Number: DE111089001

Award Period: July 1, 2013 through June 30, 2014

Condition/Context: The month of September 2013 data was omitted from the LIHEAP annual report.

Criteria: OMB Circular A-133 – Reporting and internal controls.

Questioned Costs: None.

Effect: Noncompliance with OMB Circular A-133 and expenditures reported on the annual report were understated by one month.

Cause: The department is short-staffed and therefore the duties of preparing the annual report are not assigned to any one individual or position.

Recommendation: We recommend the City review its process for the preparation and review of the annual report to determine a dedicated individual is assigned to prepare the annual report and a second individual is assigned to perform a complete review of the annual report prior to submission.

Corrective Action Plan: CAP is in the final stages of the hiring process to fill a caseworker position. The expected start date of the new caseworker is January 1, 2015. This will alleviate staff time constraints on completing and meeting the deadline for submission of the annual Low Income Home Energy Assistance (LIHEAP) report. The Eligibility Representative will complete the annual LIHEAP report and the Eligibility Specialist will perform a complete review prior to submission.

In addition, The CAP60 computer data system was upgraded on November 28, 2014. This system captures all monthly data such as client intakes, statistics, and LIHEAP reports and eliminates manual counts of monthly statistics.

The corrected annual report was accepted by the State of Arizona Department of Economic Security prior to the state deadline for federal reporting.

Contact Person: Tom Duensing, Director of Finance and Technology

City of Glendale, Arizona (An Arizona Municipality)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Finding Number: 2013-004

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

Status: Fully corrected. A similar matter was not noted in the current fiscal year.

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

Finding Number: 2013-005

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

Status: Fully corrected. A similar matter was not noted in the current fiscal year.