

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

**CITY OF MESA, 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**

Honorable Mayor and the City Council
City of Mesa, Arizona
Mesa, 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 Mesa, 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 Mesa, Arizona's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-002 to be material weaknesses.

Honorable Mayor and the City Council
City of Mesa, 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 2014-003 through 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mesa, Arizona's financial statements are free of 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*.

The City of Mesa's Response to Findings

The City of Mesa, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Mesa, 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 16, 2014

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

Honorable Mayor and the City Council
City of Mesa, Arizona
Mesa, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Mesa, Arizona's (City) 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 Mesa, Arizona's major federal programs for the year ended June 30, 2014. The City of Mesa, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Mesa, 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 Mesa, 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. Our audit does not provide a legal determination of the City of Mesa, Arizona's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Mesa, Arizona complied, in all material respects, with the 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 instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-005 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

The City of Mesa, Arizona's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Mesa, Arizona's responses and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City of Mesa, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mesa, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 of Mesa, Arizona's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-005 and 2014-006 to be significant deficiencies.

Honorable Mayor and the City Council
City of Mesa, Arizona

The City of Mesa, 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 of Mesa, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Mesa, Arizona as of and for the year ended June 30, 2014, and have issued our report thereon dated December 16, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's 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 the City's 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 basic 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 16, 2014

**CITY OF MESA, ARIZONA
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

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Federal Awards (Continued)

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|-------------------------------------------|
| 14.218 | Community Development Block Grant Cluster |
| 14.871, 14.879 | Section 8 Housing Choice Voucher Cluster |
| 20.205 | Highway Planning and Construction |
| 97.067 | Homeland Security Grant Program |

Dollar threshold used to distinguish
between Type A and Type B programs: \$705,143

Auditee qualified as low-risk auditee? _____ yes ☒ no

Other Matters

Auditee Summary Schedule of Prior
Audit Findings required to be reported
in accordance with Circular A-133
(Section .315(b)) ☒ yes _____ no

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-001: Material Audit Adjustments

Condition: Material audit adjustments were necessary to properly state revenue, unearned revenue and unavailable revenue.

Criteria: Generally accepted accounting principles. City management is responsible for establishing and maintaining internal controls to properly record the City's accounting transactions in the appropriate accounting period. The City should have internal controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

Effect: Material adjustments were proposed and subsequently recorded by the City to correct the misstatements.

Cause: The City received monies from non-routine transactions.

Recommendation: In order to strengthen internal controls, we recommend management continue to evaluate the internal control processes and implement procedures to ensure accounts are properly stated at year-end in accordance with generally accepted accounting principles.

Corrective Action: The City has controls in place that include reviewing contracts and transactions that are non-routine to ensure that they are recorded in accordance with generally accepted accounting principles. In addition, the City's existing controls include reviewing the journal entries made to record the non-routine transactions.

Contact Person: Irma Ashworth, Finance Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-002: Capital Assets

Condition: The City does not have internal controls in place to ensure that capital assets are properly recorded in the General Ledger or removed from construction in progress when placed in service. In addition, current year additions were not always properly captured and reported as capital assets and the City has not performed a physical inventory of its assets.

Criteria: Internal control procedures.

Effect: Internal control weakness and potential for errors.

Cause: The removal of assets from construction in progress was due to the volume of active capital construction projects, the numerous resulting assets, and the lack of resources (i.e., Property Management staffing) working on completed projects. Due to lack of resources, the City's capital asset inventory was deemed lower priority than capitalization of assets for completed capital construction projects.

Recommendation: In order to strengthen internal controls, we recommend the City reconcile its capital asset records to the General Ledger at least annually. The City should continue to review its construction in progress balances to ensure completed projects are removed from construction in progress when placed in service. Capital asset additions should be reconciled to capital outlay expenses to ensure the completeness of the current year additions. A physical inventory of the City's assets should be performed periodically to verify the existence of the assets and ensure the accuracy of the capital asset listing.

Corrective Action: The City currently has processes and procedures in place to ensure capital assets are properly recorded in the General Ledger or removed from construction in progress when placed in service. As stated above, the volume of active capital construction projects and the numerous resulting assets was the cause of the delay. The City reconciles its capital asset records to the General Ledger at least annually, and will be reconciling on a monthly basis going forward. We agree that the City should reconcile capital asset additions to capital outlay expenses to ensure the completeness of the current year additions. The City agrees that verification of the existence of assets and accuracy of the capital asset listing is important. As such, the City will conduct a physical inventory of capital assets for fiscal year 2015.

Contact Person: Irma Ashworth, Finance Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-003: Accounts Receivable

Condition: The accounts receivable balances were not properly reconciled to supporting records at year end. Customer payments that had been collected remained in accounts receivable, revenue was moved between funds without moving the related accounts receivable, and long outstanding balances are not monitored and addressed.

Criteria: Accounts should be reviewed and reconciled periodically to ensure accurate financial reporting.

Effect: Without a review process in place, there is an increased potential for errors to occur and go undetected.

Cause: An accurate listing of open receivables is not available as a tool for management to properly manage accounts receivable.

Recommendation: In order to strengthen internal controls, we recommend the City develop an accounts receivable aging report. The aging report should include the customer, invoice number, balance receivable and be available by fund. The aging report would assist the finance department in reconciling the balance sheet accounts which would improve financial reporting. In addition, the City should implement procedures to ensure cash receipts are properly applied to the accounts receivable balances and that long outstanding receivables are monitored and addressed.

Corrective Action: The City has improved its reconciliation and internal control procedures. Over the course of the last year the City has been working on several processes and procedures to reconcile the outstanding receivables. The City has worked to create various receivable reports to assist with the reconciliation process. The City has established monthly procedures that include detail review of receivable accounts. The City continues to work with our software vendor to correct system issues that have prevented us from being able to reconcile our new reports to the general ledger and to roll our outstanding receivables into the current year.

Contact Person: Irma Ashworth, Finance Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-004: Internal Controls over Worker's Compensation Claims

Condition/Context: Three of twenty-two worker's compensation claims payments tested did not have written documentation of management review and approval.

Criteria: Internal control procedures.

Effect: The lack of a proper review and approval process could result in errors that would go undetected.

Cause: Lack of proper segregation of duties.

Recommendation: In order to strengthen internal controls, we recommend the City develop and implement procedures to ensure claims are reviewed and approved by an individual independent of the claim processing procedures. Individuals with access to enter claims should not review and approve the same claims. Management should initial or sign the claim to clearly document the approval process.

Corrective Action: We concur. The City will enhance internal controls to ensure all claims are reviewed by an individual independent of the claims process.

Contact Person: Irma Ashworth, Finance Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY DEVELOPMENT BLOCK GRANT, NEIGHBORHOOD STABILIZATION PROGRAM

CFDA No. 14.218

DIRECT GRANT

AWARD PERIOD: MARCH 19, 2009 – JULY 30, 2013, MARCH 9, 2011 – MARCH 9, 2014, & JULY 1, 2009 – JUNE 30, 2014

2014-005

Condition: Cash reimbursement requests were not submitted timely.

Context: Two of fourteen cash reimbursement requests tested were not submitted timely. Reimbursement on expenditures incurred in November 2013 totaling \$609,986.69 was not requested until March 2014. Reimbursement on expenditures incurred in February 2014 totaling \$393,584.62 was not requested until June 2014.

Criteria: Entities receiving federal awards are required to establish and maintain internal controls designed to ensure compliance with federal laws, regulations, and program compliance.

Questioned Costs: None noted.

Effect: Noncompliance with OMB Circular A-133 – Cash Management.

Cause: Delays in HUD's approval of the Quarterly Performance Report and Action Plan.

Recommendation: In order to comply with OMB Circular A-133 and strengthen internal controls over grant accounting, the City should ensure that grant reimbursement claims are submitted in a timely manner.

Corrective Action: We concur. The Department procedures have been updated so timely draws can be initiated. The Department is dependent on the approval of the Quarterly Performance Report (QPR) and Action Plan by HUD. Often this process has taken longer than expected. The City's Program managers rely on the approved QPR's to make budget adjustments so drawdown requests can be processed timely and accurately.

Contact Person: Tammy Albright, Housing and Community Development Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

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

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHERS
CFDA NO.'S 14.871 AND 14.879
DIRECT GRANT
AWARD PERIOD: JULY 1, 2013 – JUNE 30, 2014**

2014-006

Condition/Context: The fiscal year 2013 audited financial reports were not submitted to the Department of Housing and Urban Development through the Real Estate Assessment Center website in a timely manner.

Criteria: OMB Circular A-133 – Reporting. The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based audited financial information electronically to HUD. Audited financial statements are due no later than 9 months after the fiscal year end.

Questioned Costs: None noted.

Effect: Noncompliance with OMB Circular A-133 Reporting.

Cause: The City established a new accounting system during fiscal year 2013 which delayed the issuance of the 2013 audited financial statements.

Recommendation: In order to comply with OMB Circular A-133, audited financial information should be submitted no later than 9 months after the end of the fiscal year. We recommend the City implement procedures and internal controls to ensure financial reports are submitted timely.

Corrective Action: New reconciliation and review procedures will be implemented to allow management to ensure accounts are properly stated at year end and year-end closing procedures are completed on a timely basis.

Contact Person: Tammy Albright, Housing and Community Development Director

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2013-008

Condition: The financial and compliance audit was not completed within nine months of the end of the fiscal year.

Status: Fully corrected. Financial and compliance audit was completed within nine months of the end of the fiscal year.

2013-009

Condition: CFDA 20.600 & 20.601, 16.804 and 16.738, and 14.871 & 14.879 were not properly presented as a cluster on the Schedule of Expenditures of Federal Awards.

Status: Fully corrected. No similar instances noted in the current fiscal year.

2013-010

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT, ARRA COMMUNITY DEVELOPMENT BLOCK GRANT -
NEIGHBORHOOD STABILIZATION PROGRAM
CFDA No.'s 14.218 & 14.253
DIRECT GRANT
AWARD PERIOD: MARCH 19, 2009 – JULY 30, 2013, MARCH 9, 2011 – MARCH 9, 2014, & JULY 1, 2009 –
JUNE 30, 2014**

Condition: Subrecipient cash disbursements were not received, reviewed and processed in a timely manner. Six of sixty grant disbursements tested, totaling \$165,584 were incurred in a period prior to fiscal year 2013, however were not reviewed, approved and processed until fiscal year 2013.

Status: Fully corrected. No similar instances noted in the current fiscal year.

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

2013-011

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT, ARRA COMMUNITY DEVELOPMENT BLOCK GRANT -
NEIGHBORHOOD STABILIZATION PROGRAM**

CFDA No.'s 14.218 & 14.253

DIRECT GRANT

**AWARD PERIOD: MARCH 19, 2009 – JULY 30, 2013, MARCH 9, 2011 – MARCH 9, 2014, & JULY 1, 2009 –
JUNE 30, 2014**

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOME INVESTMENT PARTNERSHIP PROGRAM**

CFDA No. 14.239

DIRECT GRANT

AWARD PERIOD: PROGRAM YEAR 2010, 2011 AND 2012 ALLOCATIONS

Condition: Cash reimbursement requests were not submitted timely. Draws were made in September 2012, April 2013, June 2013, July 2013 and September 2013.

Status: Similar condition noted in the current fiscal year. See finding 2014-005.

2013-012

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT, ARRA COMMUNITY DEVELOPMENT BLOCK GRANT -
NEIGHBORHOOD STABILIZATION PROGRAM**

CFDA No.'s 14.218 & 14.253

DIRECT GRANT

**AWARD PERIOD: MARCH 19, 2009 – JULY 30, 2013, MARCH 9, 2011 – MARCH 9, 2014, & JULY 1, 2009 –
JUNE 30, 2014**

Condition: The City did not expend 50 percent of allocated Neighborhood Stabilization Program (NSP) funds within two years of the funds becoming available. The City expended 7.4 percent by the deadline, leaving a balance of \$1,713,020 needed to achieve the 50% expenditure requirement.

Status: Fully corrected. No similar instances noted in the current fiscal year.

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

2013-013

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHERS
CFDA No. 14.871
DIRECT GRANT
AWARD PERIOD: JULY 1, 2012 – JUNE 30, 2013**

**U.S. DEPARTMENT OF HOMELAND SECURITY
HOMELAND SECURITY GRANT PROGRAM
CFDA No. 97.067
PASSED THROUGH ARIZONA DEPARTMENT OF HOMELAND SECURITY
PASS THROUGH NUMBER – VARIOUS -SEE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AWARD PERIOD: JULY 1, 2012 – JUNE 30, 2013**

Condition: Section 8 - Timesheets were not always reviewed by supervisory personnel.
Homeland Security - Grant payroll reconciliations which were used to determine the grant reimbursement were not reviewed by an individual independent of the preparation

Status: Fully corrected. No similar instances noted in the current fiscal year.

2013-014

**U.S. DEPARTMENT OF HOMELAND SECURITY
ASSISTANCE TO FIREFIGHTERS
CFDA No. 97.044
DIRECT GRANT
AWARD PERIOD: JANUARY 27, 2012 – MARCH 26, 2013**

Condition: Documentation not maintained to support that the City verified contractors were not suspended or debarred.

Status: This finding does not warrant further action. The City did not procure services with any one vendor that resulted in an obligation of greater than \$25,000.

**CITY OF MESA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

2013-015

U.S. DEPARTMENT OF HOMELAND SECURITY

ASSISTANCE TO FIREFIGHTERS

CFDA No. 97.044

DIRECT GRANT

AWARD PERIOD: JANUARY 27, 2012 – MARCH 26, 2013

Condition/Context: Two of four cash management reports did not agree to the accounting records and did not have indication of review.

Status: Fully corrected. No similar instances noted in the current fiscal year.

CITY OF MESA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

| Federal Grantor Agency/Pass-Through Grantor/ Program Title (Note 3) | Federal CFDA Number | Pass- Through Grantor (Note 3) | Federal Grant/ Pass-Through Number | Expenditures | Payments to Subrecipients |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------|------------------------------------------|
| Department of Defense | | | | | |
| Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation | 12.607 | N/A | CL0903-11-02 | \$ 6,024 | \$ - |
| Total Department of Defense | | | | <u>6,024</u> | <u>-</u> |
| Department of Housing and Urban Development | | | | | |
| Community Development Block Grant/Entitlement Grants | 14.218 | N/A | B-09-MC-04-0501 | 81,173 | 2,867 |
| Community Development Block Grant/Entitlement Grants | 14.218 | N/A | B-10-MC-04-0501 | 186,337 | 186,337 |
| Community Development Block Grant/Entitlement Grants | 14.218 | N/A | B-11-MC-04-0501 | 104,700 | 104,488 |
| Community Development Block Grant/Entitlement Grants | 14.218 | N/A | B-12-MC-04-0501 | 178,209 | 173,433 |
| Community Development Block Grant/Entitlement Grants | 14.218 | N/A | B-13-MC-04-0501 | 1,492,848 | 552,517 |
| Community Development Block Grant/Entitlement Grants | | | Program Income | 119,319 | - |
| ARRA Community Development Block Grant/Entitlement Grants (NSP1) | 14.218 | N/A | B-08-MN-04-0504 | - | - |
| ARRA Community Development Block Grant/Entitlement Grants (NSP1) | | | Program Income | 143,338 | - |
| ARRA Community Development Block Grant/Entitlement Grants (NSP3) | 14.218 | N/A | B-11-MN-04-0504 | 2,138,229 | - |
| ARRA Community Development Block Grant/Entitlement Grants (NSP3) | | | Program Income | 371,880 | - |
| Total Community Development Block Grant Cluster | | | | <u>4,816,033</u> | <u>1,019,642</u> |
| Emergency Solutions Grant Program | 14.231 | N/A | E-11-MC-04-0501 | 58,414 | 58,414 |
| Emergency Solutions Grant Program | 14.231 | N/A | E-12-MC-04-0501 | 103,391 | 93,002 |
| Emergency Solutions Grant Program | 14.231 | N/A | E-13-MC-04-0501 | 194,184 | 188,595 |
| Total Emergency Solutions Grant Program | | | | <u>355,989</u> | <u>340,011</u> |
| Shelter Plus Care | 14.238 | N/A | AZ-502 | 63,531 | - |
| HOME Investment Partnership Program | 14.239 | N/A | M-10-MC-04-0243 | 12,673 | 12,673 |
| HOME Investment Partnership Program | 14.239 | N/A | M-11-MC-04-0243 | 40,273 | 40,195 |
| HOME Investment Partnership Program | 14.239 | N/A | M-12-MC-04-0243 | 175,362 | 139,146 |
| HOME Investment Partnership Program | 14.239 | N/A | M-13-MC-04-0243 | 475,158 | 360,000 |
| Total HOME Program | | | | <u>703,466</u> | <u>552,014</u> |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | AZ-005-VO | 11,014,241 | - |
| Section 8 Housing Choice Vouchers (VASH) | 14.871 | N/A | AZ-005-VA-0001 | 192,463 | - |
| Section 8 Housing Choice Vouchers (VASH) | 14.871 | N/A | AZ-005-VA-0001-34 | 130,421 | - |
| Section 8 Housing Choice Vouchers (VASH) | 14.871 | N/A | AZ-005-VA-0001 | 81,448 | - |
| Section 8 Housing Choice Vouchers (FSS) | | | AZ-005-FS-F007 | 68,224 | - |
| Mainstream Vouchers | 14.879 | N/A | AZ-005-DV | 557,177 | - |
| Total Housing Voucher Cluster | | | | <u>12,043,974</u> | <u>-</u> |
| Total Department of Housing and Urban Development | | | | <u>17,982,993</u> | <u>1,911,667</u> |
| Department of the Interior | | | | | |
| Cultural Resource Management | 15.224 | N/A | BLM-AZ-NOI-09-1491 | 1,699 | - |
| Water Conservation Field Services Program (WCFSP) | 15.530 | N/A | R12AP32018 | 25,000 | - |
| Water Conservation Field Services Program (WCFSP) | 15.530 | N/A | R12AP32019 | 49,995 | - |
| Total WCFSP | | | | <u>74,995</u> | <u>-</u> |
| Total Department of the Interior | | | | <u>76,694</u> | <u>-</u> |
| Department of Justice | | | | | |
| Missing Alzheimer's Disease Patient Assistance Program | 16.015 | UofILL | 2012-06596-01 | 3,850 | - |
| Missing Children's Assistance | 16.543 | COP | 2012-MC-FX-K008 | 5,000 | - |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF MESA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

| Federal Grantor Agency/Pass-Through Grantor/ Program Title (Note 3) | Federal CFDA Number | Pass- Through Grantor (Note 3) | Federal Grant/ Pass-Through Number | Expenditures | Payments to Subrecipients |
|--------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------|------------------------------------------|
| Crime Victim Assistance | 16.575 | ADPS | 2013-083 | 156,608 | - |
| Crime Victim Assistance | 16.575 | ADPS | 2012-290 | 84,017 | - |
| Total Crime Victim Assistance | | | | <u>240,625</u> | <u>-</u> |
| ARRA - Public Safety Partnership and Community Policing Grants | 16.710 | N/A | 2009RJWX0008 | 378,556 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | MCMO | C-20-10-083-3-00 | 2,663 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | | | Program Income | 572 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | MCMO | C-20-11-133-3-00 | 28,927 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | MCMO | C-20-12-059-G-00 | 47,038 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | MCMO | 2013-H4079-AZ-DJ | 127,176 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | | | Program Income | 29 | - |
| Total JAG Program Cluster | | | | <u>206,405</u> | <u>-</u> |
| DNA Backlog Reduction Program | 16.741 | ACJC | DNB-12-001 | 6,489 | - |
| DNA Backlog Reduction Program | 16.741 | ACJC | DNB-13-001 | 70,701 | - |
| DNA Backlog Reduction Program | 16.741 | ACJC | 2013-DN-BX-0050 | 110,000 | - |
| Total DNA Backlog Reduction Program | | | | <u>187,190</u> | <u>-</u> |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | ACJC | CV-13-003 | 9,121 | - |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | ACJC | CV-13-003 | 9,047 | - |
| Total Paul Coverdell Forensic Sciences Improvement Grant Program | | | | <u>18,168</u> | <u>-</u> |
| Equitable Sharing Program | 16.922 | N/A | AZ00717 | 307,812 | - |
| Total Department of Justice | | | | <u>1,347,606</u> | <u>-</u> |
| Department of Transportation | | | | | |
| Airport Improvement Program | 20.106 | N/A | AIP-03-04-0023-022-2012 | 12,415 | - |
| Airport Improvement Program | 20.106 | N/A | AIP-03-04-0023-023-2013 | 158,030 | - |
| Total Airport Improvement Program | | | | <u>170,445</u> | <u>-</u> |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(214)D, MES08-603 | 16,687 | - |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(205)X, MES10-810 | 10,222 | - |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(216)D, MES11-703 | 1,050,000 | - |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(226)D, SZ067 01C | 479,487 | - |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(223)A, SZ052 01C | 159,691 | - |
| Highway Planning and Construction | 20.205 | ADOT | CM-MES-0(227), SZ080 03D | 29,189 | - |
| Highway Planning and Construction | 20.205 | ADOT | STP-MES-0(204)A, SR232 01C | 11,048 | - |
| Highway Planning and Construction | 20.205 | ADOT | HSIP-MES-0(221)D, SH550 01C | 36,956 | - |
| Total Highway Planning and Construction | | | | <u>1,793,280</u> | <u>-</u> |
| ARRA-Federal Transit - Formula Grants | 20.507 | COP | AZ-96-X002-01 | 296,146 | - |
| State and Community Highway Safety | 20.600 | GOHS | 2013-PT-007 | 14,404 | - |
| State and Community Highway Safety | 20.600 | GOHS | 2014-PT-004 | 13,858 | - |
| State and Community Highway Safety | 20.600 | GOHS | 2014A-PS-019 | 3,000 | - |
| State and Community Highway Safety | 20.600 | GOHS | 2014-CIOT-010 | 9,564 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | GOHS | 2013-410-007 | 7,910 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | GOHS | 2013-HF-006 | 305 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | GOHS | 2013-410-036 | 87,500 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | GOHS | 2014-410-026 | 127,500 | - |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | GOHS | 2014-410-003 | 66,678 | - |
| Total Highway Safety Cluster | | | | <u>330,719</u> | <u>-</u> |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | GOHS | 2013-164-022 | 80,000 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | GOHS | 2014-164-024 | 96,762 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | GOHS | 2014-164-023 | 24,394 | - |
| Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | | <u>201,156</u> | <u>-</u> |
| Total Department of Transportation | | | | <u>2,791,746</u> | <u>-</u> |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF MESA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

| Federal Grantor Agency/Pass-Through Grantor/ Program Title (Note 3) | Federal CFDA Number | Pass- Through Grantor (Note 3) | Federal Grant/ Pass-Through Number | Expenditures | Payments to Subrecipients |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------|---------------------------------------------------|----------------------|------------------------------------------|
| Department of the Treasury | | | | | |
| Asset Forfeiture Program | 21.000 | N/A | AZ00717 | 75,201 | - |
| Total Department of the Treasury | | | | <u>75,201</u> | <u>-</u> |
| Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities | | | | | |
| Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | N/A | 13-5100-7120 | 55,000 | - |
| Grants to States | 45.310 | LAPR | 2012-32104-13 | 20,000 | - |
| Total Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities | | | | <u>75,000</u> | <u>-</u> |
| Environmental Protection Agency | | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | N/A | BF-00T67801-0 | 2,175 | - |
| Total Environmental Protection Agency | | | | <u>2,175</u> | <u>-</u> |
| Department of Health and Human Services | | | | | |
| Immunization Cooperative Agreements | 93.268 | ADHS | ADHS13-045491 | 10,000 | - |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | ADES | E2108194 | 89,833 | - |
| Total Department of Health and Human Services | | | | <u>99,833</u> | <u>-</u> |
| Executive Office of the President | | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | COT | HT-13-2304 | 40,000 | - |
| Total Executive Office of the President | | | | <u>40,000</u> | <u>-</u> |
| Department of Homeland Security | | | | | |
| Assistance to Firefighters Grant | 97.044 | N/A | EMW-2011-FP-01096 | 26,260 | - |
| Assistance to Firefighters Grant | 97.044 | N/A | EMW-2012-FR-00401 | 263,812 | 51,938 |
| Total Assistance to Firefighters Grant | | | | <u>290,072</u> | <u>51,938</u> |
| Homeland Security Grant Program | 97.067 | MCSO | 11-AZDOHS-HSGP-888206-01 | 5,942 | - |
| Homeland Security Grant Program | 97.067 | COT | HT-13-2304 | 21,114 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 11-AZDOHS-HSGP-888207-04 | 17,480 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 11-AZDOHS-HSGP-888815-03 | 20,667 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 11-AZDOHS-HSGP-888815-04 | 17,790 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999207-01 | 1,087 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999207-02 | 38,079 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP-999811-01 | 183,254 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999811-02 | 38,325 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999811-03 | 31 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999812-01 | 34,674 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP 999812-02 | 5,138 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 12-AZDOHS-HSGP-999812-03 | 40,373 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130204-01 | 5,780 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130815-01 | 192,225 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130815-02 | 2,762 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130816-01 | 34,317 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130816-02 | 22,900 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130816-03 | 10,596 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | 13-AZDOHS-HSGP-130816-04 | 15,278 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | Approval #0107 | 4,809 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | Approval #0114 | 2,201 | - |
| Homeland Security Grant Program | 97.067 | ADOHS | Approval #0115 | 2,609 | - |
| Total Homeland Security Grant Program | | | | <u>717,431</u> | <u>-</u> |
| Total Department of Homeland Security | | | | <u>1,007,503</u> | <u>51,938</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 23,504,775</u> | <u>\$ 1,963,605</u> |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF MESA, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE 1 BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources.

Federal awards provided to sub-recipients are treated as expenditures when it is paid to the sub-recipient.

NOTE 2 THE REPORTING ENTITY

The City of Mesa, Arizona, for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by Government Accounting Standards Board (GASB).

The City of Mesa, Arizona, administers certain federal financial assistance programs through sub-recipients. Those sub-recipients are not considered part of the City of Mesa, Arizona, reporting entity.

NOTE 3 PASS-THROUGH GRANTOR'S REFERENCE

The City of Mesa, Arizona, receives certain federal awards from the following non-Federal agencies. The amounts received are commingled by the state with other funds and cannot be separately identified. The total amount of such pass-through awards is included on the Schedule of Expenditures of Federal Awards.

| | |
|--------|------------------------------------------------------------|
| ACFAN | Arizona Child and Family Advocacy Network |
| ACJC | Arizona Criminal Justice Commission |
| ADES | Arizona Department of Economic Security |
| ADHS | Arizona Department of Health Services |
| ADOHS | Arizona Department of Homeland Security |
| ADOT | Arizona Department of Transportation |
| ADPS | Arizona Department of Public Safety |
| COP | City of Phoenix |
| COT | City of Tucson |
| GOCYF | Governor's Office of Children, Youth and Families |
| GOHS | Governor's Office of Highway Safety |
| LAPR | Arizona Department of Library, Archives and Public Records |
| MCHSD | Maricopa County Health Services Department |
| MCMO | Maricopa County Manager's Office |
| MCSO | Maricopa County Sheriff Office |
| UofILL | University of Illinois |