

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

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SINGLE AUDIT REPORTING PACKAGE
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Chandler, 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 discretely presented component units and remaining fund information of City of Chandler, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Chandler, Arizona's basic financial statements, and have issued our report thereon dated December 20, 2013. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Chandler, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Chandler, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, Arizona's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Chandler, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Heinfeld, Meech & Co., P.C.

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

December 20, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Chandler, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Chandler, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Chandler, Arizona's major federal programs for the year ended June 30, 2013. City of Chandler, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Chandler, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Chandler, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Chandler, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Chandler, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

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

City of Chandler, Arizona's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Chandler, Arizona's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of City of Chandler, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered City of Chandler, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, Arizona's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 discretely presented component units and remaining fund information of City of Chandler, Arizona as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Chandler, Arizona's basic financial statements. We have issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

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

January 20, 2014

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
U.S. Department of Housing and Urban Development				
Direct programs:				
Public and Indian Housing	SF-440	14.850	\$ 1,219,842	\$ -
Public Housing Capital Fund - Program Year 2010	SF-440 (AZ20P02850110)	14.872	12,700	-
Public Housing Capital Fund - Program Year 2011	SF-440 (AZ20P02850111)	14.872	236,557	-
Public Housing Capital Fund - Program Year 2012	SF-440 (AZ20P02850112)	14.872	116,962	-
Subtotal CFDA Number 14.872			<u>366,219</u>	<u>-</u>
Section 8 Housing Choice Vouchers	SF 547 V	14.871	<u>4,389,055</u>	<u>-</u>
Community Development Block Grants - Program Year 2009	B-09-MC-04-0507	14.218	290,286	167,632
Community Development Block Grants - Program Year 2010	B-10-MC-04-0507	14.218	71,480	-
Community Development Block Grants - Program Year 2011	B-11-MC-04-0507	14.218	211,760	19,894
Community Development Block Grants - Program Year 2012	B-12-MC-04-0507	14.218	607,641	328,446
Community Development Block Grants - Neighborhood Stabilization Program	B-08-MN-04-0502	14.218	207,536	173,886
Community Development Block Grants - Neighborhood Stabilization Program, Recovery Act	B-11-MN-04-0502	14.218	<u>630,766</u>	<u>610,719</u>
Subtotal CFDA Number 14.218			2,019,469	1,300,577
Passed through Maricopa County Department of Housing and Community Development:				
Home Investment Partnerships Program - Program Year 2009	M09-DC-04-0227	14.239	107,933	-
Home Investment Partnerships Program - Program Year 2010	M10-DC-04-0227	14.239	63,162	63,162
Home Investment Partnerships Program - Program Year 2012	M12-DC-04-0227	14.239	18,005	-
Subtotal CFDA Number 14.239			<u>189,100</u>	<u>63,162</u>
Total Department of Housing and Urban Development			<u>8,183,685</u>	<u>\$ 1,363,739</u>
U.S. Department of Justice				
JAG Program Cluster:				
Direct programs:				
Edward Byrne Memorial Justice Assistance Grant	2010-DJ-BX-1135	16.738	3,368	-
Passed Through State of Arizona:				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program				
Grant to Units of Local Governments - Recovery Act	2009-SB-B9-2970	16.804	65,577	-
Subtotal JAG Program Cluster			<u>68,945</u>	<u>-</u>
Total Department of Justice			<u>68,945</u>	<u>-</u>
U.S. Department of Transportation				
Passed Through State of Arizona:				
Airport Improvement Program	3-04-0008-021-2011	20.106	230,109	-
State and Community Highway Safety	2012-OP-002	20.600	4,803	-
Highway Planning and Construction	N/A	20.205	1,163,513	-
Highway Planning and Construction	N/A	20.205	59,510	-
Highway Planning and Construction	N/A	20.205	225,375	-
Highway Planning and Construction	N/A	20.205	25,813	-
Highway Planning and Construction	JPA 09-0501	20.205	43,559	-
Highway Planning and Construction	CHN-0(214)A	20.205	2,754,791	-
Highway Planning and Construction	CM-CHN-0(205)A	20.205	84,582	-
Subtotal CFDA Number 20.205			<u>4,357,143</u>	<u>-</u>
Passed Through City of Phoenix:				
Federal Transit Formula Grant	AZ-90-X074 (118333)	20.507	135,177	-
Passed Through Maricopa Association of Governments:				
Federal Transit Formula Grant - Recovery Act	IGA 118-41-2010	20.507	510	-
Subtotal CFDA Number 20.507			<u>135,688</u>	<u>-</u>
Total Department of Transportation			<u>4,727,742</u>	<u>-</u>

**CITY OF CHANDLER, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures	Payments To Subrecipients
U.S. Department of Energy				
Direct programs:				
Energy Efficiency and Conservation Block Grant Program	DE-EE0000836	81.128	137,179	-
Energy Efficiency and Conservation Block Grant Program	DE-EE0000836	81.128	7,089	-
Energy Efficiency and Conservation Block Grant Program	DE-EE0000836	81.128	45,887	-
Subtotal CFDA Number 81.128			<u>190,155</u>	<u>-</u>
Total Department of Energy			<u>190,155</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct programs:				
Assistance to Firefighters Grant	EMW-2008-FO-06918-004	97.044	1,838	-
Passed Through State of Arizona:				
Homeland Security Grant Program	888202-01	97.067	1,674	-
Total Department of Homeland Security			<u>3,512</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 13,174,039</u>	<u>\$ 1,363,739</u>

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

NOTE 1 - BASIS OF PRESENTATION

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

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

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

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund
14.218	Community Development Block Grants
81.128	Energy Efficiency and Conservation Block Program

Dollar threshold used to distinguish between Type A and Type B programs: \$395,323

Auditee qualified as low-risk auditee? X yes no

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

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

None reported.

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

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: 2013-1

Program: Community Development Block Grants

CFDA Number: 14.218

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: N/A

Applicable ARRA Programs: N/A

Grantor Number: N/A

Questioned Costs: N/A

Type of Finding: Noncompliance

Compliance Requirement: Reporting

CRITERIA

The Federal Funding Accountability and Transparency Act (FFATA) requires prime grant recipients awarded a new Federal grant greater than or equal to \$25,000 after October 1, 2010 to file a FFATA sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000.

CONDITION/CONTEXT

The City was unaware that the FFATA reporting requirement applied to Community Development Block Grant awards.

EFFECT

The City did not submit subaward data on the fsrs.gov website by the end of the month following the subaward dates.

CAUSE

The City is the recipient of only a few federal grants which it is the direct recipient; therefore, the City was not yet aware of this requirement.

RECOMMENDATION

The City should ensure subaward information is submitted timely in order to comply with the program's requirements.

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

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

Reference Number: 2013-1 (Concl'd)

VIEWES OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Chandler was unaware of the FFATA reporting requirement for the CDBG program resulting in its subawards not being submitted within the required time period.

Immediately after being informed about the new reporting requirement, City staff attempted to report its subawards greater than or equal to \$25,000 into the FFATA database. Staff was not able to complete all prior program year reports because several Chandler grants were not loaded into the system. City staff contacted its local HUD Community Planning and Development Representative for guidance. He informed staff that HUD has had and was still having problems with the USASpending database and some Grantee information was still not available in the Federal Transparency Subaward Reporting System (FSRS). The representative directed staff to email Chandler's subaward information to HUD's Director of Grants Management and Oversight if we are not able to properly upload reports into FSRS.

In summary, the City was not informed nor provided guidance from HUD in regards to the FFATA reporting requirements. The local HUD representative informed staff that he had information that had been presented to HUD staff regarding FFATA but that HUD Headquarters recommended he not send it out to Grantees because of the information provided about the challenges associated with the system and reporting were overwhelming. The City of Chandler has now reported all of its subawards as directed by HUD, and copies are attached. City staff has taken measures to ensure that all future FFATA reporting will be done timely. To ensure all subaward information is submitted by the end of the month following the month in which the prime recipient issued the subaward, staff have added the FFATA report to the spreadsheet of all HUD reports. Also, on the first of each month staff will evaluate whether a subaward made in the previous month meets the threshold requirements for FFATA reporting. If an award meets the requirements, staff enters that award through the **FFATA Subaward Reporting System** at www.fsrs.gov.

Contact Person: Jennifer Morrison, Director, Neighborhood Resources Division
Anticipated Completion Date: Fiscal Year 2013-14

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

Status of Federal Award Findings and Questioned Costs

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