



Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Federal Awards Expenditures	1
Notes to the Schedule of Federal Awards Expenditures	7
Independent Accountants' Report on Internal Control on Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program, on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> , and on the Federal Awards Expenditures Schedule	11
Schedule of Findings.....	13
Schedule of Prior Audit Finding	17

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**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Direct Programs:			
Summer Food Service Program for Children 2007	10.559		\$ 6,191
Summer Food Service Program for Children 2008	10.559		208,090
Total Department of Agriculture			<u>214,281</u>
Department of Energy			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2006	81.042		239,346
Weatherization Assistance for Low-Income Persons 2007	81.042		1,125,354
Total Department of Energy			<u>1,364,700</u>
Department of Health and Human Services			
Direct Programs:			
Healthy Start Initiative Yr 5	93.926		962
Healthy Start Initiative Yr 5	93.926		1,091,240
Healthy Start Initiative Yr 7	93.926		876,324
Subtotal			<u>1,968,526</u>
Centers for Disease Control-Investigations and Technical Assistance:			
Steps To A Healthier U.S. year 2	93.283		7,085
Steps To A Healthier U.S. year 3	93.283		164,497
Steps To A Healthier U.S. year 3	93.283		191,976
Steps To A Healthier U.S. year 3	93.283		1,162,237
Steps To A Healthier U.S. year 4	93.283		89,781
Subtotal			<u>1,615,576</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2007	93.268	18-100-1-2-IM-0107	11,575
Immunization Grants 2008	93.268	18-100-1-2-IM-0108	126,990
Subtotal			<u>138,565</u>
Cuyahoga County Board of Health:			
Preventive Health and Health Services Block Grant:			
Cardiovascular Health 2007	93.991	18-100-1-4-CH-0107	2,363
Subtotal			<u>2,363</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Services-continued			
Centers for Disease Control-Investigations and Technical Assistance:			
Regional Medical Response System 2008	93.283	18-2-002-2-BI-08	73,643
Subtotal			<u>73,643</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2008	93.197	18-2-001-1-BD-07	202,456
Childhood Lead Poisoning Prevention 2009+B32	93.197	18-2-001-1-BD-08	175,281
Subtotal			<u>377,737</u>
Centers for Disease Control-Investigations and Technical Assistance:			
City Readiness Initiative 07	93.283	18-200-1-1-LD-0108	4,416
City Readiness Initiative 08	93.283	18-200-1-2-PI-0108	748,989
City Readiness Initiative 09	93.283	18-200-1-2-PI-0209	90,891
Subtotal			<u>844,296</u>
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2007	93.977	18-2-001-2-BX-07	14,758
Sexually Transmitted Diseases Diagnosis & Treatment 2008	93.977	18-2-001-2-BX-08	91,672
Subtotal			<u>106,430</u>
HIV Prevention 2007			
HIV Prevention 2008	93.940	18-2-001-2-AS-07	111,515
	93.940	18-2-001-2-AS-08	691,920
Subtotal			<u>803,435</u>
Public Health Coll 2006-2007			
Public Health Collaborative 08	93.283	18-1-001-2-BI-07	24,902
Public Health Collaborative 09	93.283	18-1-001-2-BI-08	279,472
	93.283	18-1-001-2-BI-09	74,832
Subtotal			<u>379,206</u>
Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint/Reward 2005	93.959		2,875
Centerpoint 2008	93.959		99,800
Centerpoint 2009	93.959		157,666
Student Assistance 2008	93.959		34,733
Student Assistance 2009	93.959		46,348
Subtotal			<u>341,422</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance 2006	93.568	06-111	269,599
Low-Income Home Energy Assistance-HHS 2007	93.568	07-111	176,271
Low-Income Home Energy Assistance-HHS-RC 2007	93.568		1,836,583
Subtotal			<u>2,282,453</u>
Total Department of Health and Human Services			<u><u>8,933,652</u></u>

(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Housing & Urban Development			
Direct Programs:			
Community Development Block Grants:			
CDBG Yr 24	14.218		3,384
CDBG Yr 29/30	14.218		3,675,557
CDBG Yr 31	14.218		997,489
CDBG Yr 32	14.218		863,534
CDBG Yr 33	14.218		10,886,460
CDBG Yr 34	14.218		9,635,345
CDBG Float Loan	14.218		2,755,796
Subtotal			<u>28,817,565</u>
HOME Investment Partnerships Program 1992	14.239		389,060
HOME Investment Partnerships Program 2001	14.239		981,443
HOME Investment Partnerships Program 2002	14.239		4,218
HOME Investment Partnerships Program 2003	14.239		705,286
HOME Investment Partnerships Program 2004	14.239		744,207
HOME Investment Partnerships Program 2005	14.239		760,349
HOME Investment Partnerships Program 2006	14.239		805,453
HOME Investment Partnerships Program 2007	14.239		2,221,465
HOME Investment Partnerships Program 2008	14.239		652,023
Subtotal			<u>7,263,504</u>
Emergency Shelter Grants Program 2006	14.231		112,382
Emergency Shelter Grants Program 2007	14.231		935,224
Subtotal			<u>1,047,606</u>
Housing Opportunities for Persons With Aids 2006	14.241		74,707
Housing Opportunities for Persons With Aids 2007	14.241		596,266
Housing Opportunities for Persons With Aids 2008	14.241		159,913
Subtotal			<u>830,886</u>
Empowerment Zones Program	14.244		3,544,121
Subtotal			<u>3,544,121</u>
Total Department of Housing & Urban Development			<u>41,503,682</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Direct Programs:			
Public Safety Partnership and Community Policing Grants:			
Cops in School	16.710		393,485
Cleveland Universal Hiring II	16.710		815,342
Subtotal			<u>1,208,827</u>
Office of Violence Against Women:			
Cleveland Arrest Program	16.590		398,642
Subtotal			<u>398,642</u>
Federal DOJ-COPS Technology GR	16.710		2,390,052
Subtotal			<u>2,390,052</u>
G.R.E.A.T. 2004	16.737	2007-JV-FX-0253	7,627
Subtotal			<u>7,627</u>
Pass Through Programs:			
Office of Criminal Justic Services:			
Byrne Formula Grant Program 2004-05:			
2005 Edwards Byrne Memorial	16.579		75,061
Carib Gang Task Force FY 2006	16.579		11,878
2007- Byrne Discretionary	16.579	2007-DD-BX-0650	2,117,845
Subtotal			<u>2,204,784</u>
Violence Against Women Grants :			
VAWA Team Approach 2006 Law	16.588		54,022
VAWA Team Approach-2007 Law	16.588		147,265
VAWA Team Approach 2006 Safety	16.588		21,384
VAWA Team Approach-2007 Safety	16.588		138,349
Subtotal			<u>361,020</u>
Juvenile Accountability Incentive Block Grants 2007	16.523		29,711
Juvenile Accountability Incentive Block Grants 2008	16.523		24,042
Subtotal			<u>53,753</u>
2006-Edward Byrne Memorial-JAG	16.738		115,396
2007-Edward Byrne Memorial-JAG	16.738		167,630
2007-Edward Byrne Memorial-NOLETF	16.738	2007-JG-A01-6444	59,138
Subtotal			<u>342,164</u>
Paul Coverdell Forensic 2006	16.742	2006-DN-BX-0024	76,612
Subtotal			<u>76,612</u>

(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice (continued)			
Anti-Gang Initiative	16.744	2006-PS-CAG-372	210,271
Anti-Gang Initiative	16.744	2006-PS-CAG-379	9,026
Subtotal			<u>219,297</u>
Total Department of Justice			<u>7,262,778</u>
Department of Commerce-Economic Development Administration:			
Direct Programs:			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 4	3,061,839
Subtotal			<u>3,061,839</u>
Total Department of Labor			<u>3,061,839</u>
Department of Labor			
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258	G-1011-15-0258	5,168,227
WIA Youth Program	17.259	G-1011-15-0258	3,188,278
WIA Dislocated Worker Program	17.260	G-1011-15-0258	1,551,623
Subtotal			<u>9,908,128</u>
Total Department of Labor			<u>9,908,128</u>
Department of Transportation			
Direct Programs:			
Airport Improvement Program	20.106		10,897,112
Subtotal			<u>10,897,112</u>
Highway Planning and Construction:			
Federal- Department of Commerce	20.205		1,250,784
Federal- Flats East Bank	20.205		708,500
Subtotal			<u>1,959,284</u>
Total Department of Transportation			<u>12,856,396</u>
Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2007	66.001		98,332
Air Pollution Control Program Support 2008	66.001		1,824,177
Air Pollution Control Program Support 2009	66.001		503,572
Subtotal			<u>2,426,081</u>
Lower Woolen Mills	66.818		4,508
Subtotal			<u>4,508</u>
Brownfields Assesment and Cleanup Cooperative Agreements:			
Brownsfield Job Training	66.818		5,594
Brownsfield Job Training	66.818		21,091
Subtotal			<u>26,685</u>
			(Continued)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Environmental Protection Agency (continued)			
Brownsfield Assesment Program	66.818		96,901
Subtotal			<u>96,901</u>
HUD Independent Agencies Special Project-Brownfield	66.818		7,565
Subtotal			<u>7,565</u>
Chemical Emergency Preparedness and Prevention: Bio-Watch Program 2006	66.810		2,874
Bio-Watch Program 2007	66.810		271,432
Bio-Watch Program 2008	66.810		56,149
Subtotal			<u>330,455</u>
Total Environmental Protection Agency			<u><u>2,892,195</u></u>
Department of Homeland Security			
Direct Programs:			
Metropolitan Medical Response System 2004	97.071		158,124
Metropolitan Medical Response System 2006	97.071		56,291
Metropolitan Medical Response System 2006	97.071		1,392
Subtotal			<u>215,807</u>
National Explosives Detection Canine Team Program	97.072		223,641
Subtotal			<u>223,641</u>
Law Enforcement Officer Reimbursement Agreement Program	97.090		350,740
Subtotal			<u>350,740</u>
<i>Passed Through Ohio Department of Public Safety</i>			
Homeland Security Grant Program 2005	97.067		946,162
Homeland Security Grant Program 2006	97.067		3,813
Total Homeland Security Grant Program Cluster			<u>949,975</u>
<i>Passed Through Cuyahoga County Department of Justice Affairs</i>			
Urban Area Security Initiative 2004-2006	97.008		306,758
Homeland Security 2003	97.007		945,842
Subtotal			<u>1,252,600</u>
Total Department of Homeland Security			<u><u>2,992,763</u></u>
Grand Total			<u><u>\$ 90,990,414</u></u>
			(Concluded)

See the accompanying notes to this Schedule

**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Basis of Presentation

The accompanying Federal Awards Expenditures Schedule includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash 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*.

2. Longwood Apartments Grant

The United States Department of Housing and Urban Development (HUD) made available an UpFront grant to the City in connection with the demolition, rebuilding and redevelopment of the Longwood apartments.

The funding for the plan is to come from a variety of public and private sources, including, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD Section 221 (d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund, and NDA funds.

The UpFront Grant will be allocated and loaned to the developer throughout the various phases of the project in accordance with a Promissory Note, Interest on this Note began to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

3. Park Village Apartment Grant

The United States Department of HUD made available an UpFront Grant in the amount of \$981,836 for the rehabilitation of the Park Village Apartments.

In addition to the Upfront Grant, funding for the plan includes a private lender first mortgage, a Community Development Block Grant Float Loan and private sector equity derived from benefits associated with low income housing tax credits.

The UpFront Grant funds are being loaned to the developer in accordance with the Promissory Note. Interest on this Note began to accrue on March 19, 2003 at a fixed annual rate of 5.23% per annum with this Note maturing on March 19, 2033.

4. Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2008:

Beginning loans receivable balance as of January 1, 2008	\$737,301
Loans made during 2008	200,000
Loan principal repaid on loans issued prior to 2008	75,489
Loan principal repaid on 2008 loans issued	0
Ending loans receivable balance as of December 31, 2008	<u>\$861,812</u>
Cash balance on hand in the revolving loan fund as of December 31, 2008	
Cash balance, unobligated	\$2,090,231
Revolving loan committed but not disbursed	450,000
Total unobligated cash and committed but not disbursed cash	<u>2,540,231</u>
Total value of revolving loan portion of the EDA 11.307 program	3,402,043
Less: City's matching share	(340,204)
Total federal value of revolving loan portion as of December 31, 2008	<u>\$3,061,839</u>

There are no delinquent amounts due as of December 31, 2008.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2008**

4. Revolving Loan Fund (Continued)

Revolving Loan Fund Principal Outstanding as of December 31, 2008:	
4500 LTD	\$90,130
Accurate Instrument Service Co, Inc	3,932
DRD, Inc., DBA AS Power Direct	200,000
Jane and Arthur Ellison LTD	170,506
Nisman Rozgonyi Enterprise	171,943
Otto Klonigslow Manufacturing Co.	58,271
Northeast Ohio Neighborhood Real Estate	<u>167,030</u>
Total Revolving Loan Fund Principal Outstanding	<u>\$861,812</u>

U S Department of Commerce, Economic Development Administration:	
Direct Program:	
Revolving Loan Fund Grant - Economic Adjustment Assistance CFDA# 11.307	\$3,061,839



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Frank G. Jackson, Mayor, Members of Council, and the Audit Committee:

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 Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 25, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 25, 2009.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 25, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE FEDERAL AWARDS EXPENDITURES SCHEDULE

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Frank G. Jackson, Mayor, Members of Council, and the Audit Committee:

Compliance

We have audited the compliance of the City of Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Cleveland complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Federal Awards Expenditures Schedule

We have also 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 Cleveland as of and for the year ended December 31, 2008, and have issued our report thereon dated June 25, 2009. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intended this report for the information and use of the audit committee, management, City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 25, 2009

CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2008

SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 14.218 - Community Development Block Grant (CDBG) CFDA # 11.307 - EDA Revolving Loan Fund
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: \$2,729,712 Type B: \$272,971
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2008-001
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Division of Water’s Out of Order Meters and Estimated Accounts – Significant Deficiency

Accurate and timely meter readings are essential for tracking water and sewer usage and for the accounting of revenues and receivables at the Division of Water (DOW) and Water Pollution Control (WPC). Water usage calculations generated by DOW also serve as sewer usage for WPC when calculating bills. Water rates change annually while sewer rates may change on a less frequent basis depending on the local municipality. Therefore, it is imperative that actual readings occur on an annual basis, especially during January and December, so that usage can be applied to the proper rate in effect at the time.

At DOW, individual meter readings are performed on a quarterly basis for each customer. Controls have been established by DOW to investigate and follow-up on accounts for meters which did not receive an actual reading and/or have not been billed in 105 days. However, we noted the following instances in which the controls are not working as designed.

DOW’s Out-of-Order Accounts

An analysis of the accounts as of December 31, 2008 and December 31, 2007 disclosed that 8.5% (34,915 of 412,583) of the accounts were classified as “out-of-order” by DOW in 2008 compared to 6.4% in 2007. These consist of accounts that have been identified by meter readers and other DOW staff as being out of order or missing. An aging of these accounts at year end is as follows:

	As of December 31, 2008	As of December 31, 2007
Year Determined Out-of-order	Number Of Accounts	Number Of Accounts
1993	5	5
2000	1	1
2002	1	1
2003	2,080	2,293
2004	3,228	3,556
2005	2,947	3,307
2006	2,604	2,980
2007	8,467	14,361
2008	15,582	
Total	34,915	26,504

As the above analysis indicates, there are numerous accounts in which a reliable meter reading has not occurred in over one year and there has been an increase in those instances compared to the prior year. Furthermore, there has been a minimal reduction in those accounts which are already 2-5 years old. For these accounts, bills were estimated based on historical usage patterns.

**CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2008-001
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(Continued)

DOW's Estimated Bills

Bills may also be estimated as a result of meter readings which fail tolerance tests, meters skipped because they are inaccessible, or accounts in dispute. Meters are scheduled for a read every 90 days. If an issue is identified and not addressed within eight days after the meter was initially scheduled for a read, an estimated bill is automatically generated.

The following analysis of bills generated during two weeks in 2008 indicated a high number of estimated bills and accounts which received several, successive, estimated bills. For example, eight percent (5,063) of the 62,884 accounts billed for the 10 days reviewed had not received a bill based on actual consumption in over one year as demonstrated by the number of accounts receiving estimated bills for four or more quarters.

# of estimated . accounts	Billing Date										Total
	14- July	15- July	16- July	17- July	18- July	15- Dec	16- Dec	17- Dec	18- Dec	19- Dec	
2 quarters	112	171	111	73	74	354	147	265	323	99	1,729
3 quarters	128	208	186	48	69	308	228	197	220	67	1,659
4 or more qtrs.	504	539	480	186	205	1254	766	796	173	160	5,063
Total # of est.	744	918	777	307	348	1,916	1,141	1,258	716	326	8,451
Total # of accts.	9,456	4,227	6,119	3,431	3,977	9,804	6,081	6,631	7,841	5,317	62,884
% estimated	8%	22%	13%	9%	9%	20%	19%	19%	9%	6%	13%

While historical usage patterns are an acceptable method of estimating usage, long periods of time between actual meter readings may reduce the reliability of the estimated bill as usage patterns may fluctuate based on various social and economic factors. This may also result in a subjective billing process when ascertaining the actual usage in a given year and applying the proper rate in effect at that time.

Regardless of whether repeated estimates are due to out-of-order meters or other factors, DOW must place a high priority on resolving issues associated with accounts that have not had a reliable meter reading in over one year, especially those that are the oldest. Efforts should also be expanded to follow up in a timely manner on potential billing errors identified to further reduce the number of accounts receiving estimated bills.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (CONTINUED)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2008-001
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(Continued)

Division of Water’s Response

CWD will engage in a three-pronged process to document the extent of out-of-order meters, develop a work plan to repair or replace meters, and implement new processes and procedures to prevent future occurrences of the problem. This will be accomplished by engaging in the following activities:

- In conjunction with the Department of Finance and the Department of Public Utilities, an Executive Oversight Committee will be established to manage the problem and recommend a resolution.
- The Department of Public Utilities has established two Special Project Groups to review the meter reading and billing process. An additional Special Project Team will be organized to review the meter repair process and a short term work plan to repair or replace out-of-order meters. The work plan will first focus on addressing the meters that have been out-of-order the longest. The staff is currently in the process of verifying the exact number and locations of the meters.
- The Division of Water will engage contractors to design and implement an Automatic Meter Reading (AMR) System. A drafted Request for Proposal (RFP) has been developed and is currently being reviewed. The appropriate legislation authority has been granted. It is the intent to have the RFP on the street by mid to late August with implementation to begin in the spring of 2010.

We will have the Executive Oversight Committee established and operational by the first week of September 2009. The Special Project Team, comprised of various employees representing all three divisions, will be established in September and will meet regularly. The Special Project Team will report to the Director of Public Utilities and it will be the responsibility of the Assistant Commissioner to report to the Executive Oversight Committee on a monthly basis. The project will be administered by a project manager trained in project management.

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDING
 OMB CIRCULAR A-133 § .315 (B)
 FOR THE YEAR ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected ?	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
2007-001	The supervisor of applications development performs the majority of program changes and also moves the programs into the production environment. The Division of Water (DOW) has established a user ID account reserved solely for moving programs into the production environment. However, evidence is not available to confirm the activity of this account is being monitored by management. In addition, there is no evidence that activity in the production environment is being monitored.	Yes	

